

Exhibit 28

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE)

COMMISSION,)

Plaintiff)

)

VS.)CIVIL ACTION

)NO. 20-CV-10832(AT)(SN)

RIPPLE LABS, INC. BRADLEY)

GARLINGHOUSE and CHRISTIAN)

A. LARSEN,)

Defendants)

VIDEOTAPED ORAL DEPOSITION OF

LAWRENCE ANGELILLI

AUGUST 3, 2021

CONFIDENTIAL PER PROTECTIVE ORDER

JOB #197723

1 VIDEOTAPED ORAL DEPOSITION OF LAWRENCE

2 ANGELILLI, produced as a witness at the instance of the
3 DEFENDANTS, and duly sworn, was taken in the above-styled
4 and numbered cause on the 3rd day of August, 2021, from
5 9:07 a.m. to 3:33 p.m., before Kathryn R. Baker, CSR, RPR,
6 in and for the State of Texas, reported by machine
7 shorthand, at the offices of DLA Piper, LLP, 1900 N. Pearl
8 Street, Suite 2200, in the City of Dallas, State of Texas,
9 pursuant to the Federal Rules of Civil Procedure.

1 APPEARANCES

2 FOR THE PLAINTIFF:

Mr. Robert Moyer

3 SECURITIES AND EXCHANGE COMMISSION

175 W. Jackson Boulevard

4 Chicago, Illinois 60604

5
-and-6
Ms. Daphna Wasman

7 SECURITIES AND EXCHANGE COMMISSION

New York Regional Office

8 200 Vesey Street

New York, New York 10281

9

10
FOR THE DEFENDANT, RIPPLE LABS, INC.:

11 Mr. Andrew Ceresney

Mr. Kyle Chermak

12 Ms. Anna Gressel

DEBEVOISE & PLIMPTON

13 919 Third Avenue

New York, New York 10022

14

15 -and-

16 Mr. Christopher Ford

DEBEVOISE & PLIMPTON

17 650 California Street

San Francisco, California 94108

18

-and-

19
Ms. Bethan Jones

20 KELLOGG, HANSEN, TODD, FIERER & FREDERICK

1615 M. Street N.W.

21 Washington, DC 20036

22
-and-23
Ms. [REDACTED]

24 RIPPLE LABS, INC.

315 Montgomery Street

25 San Francisco, California 94101

1 FOR THE DEFENDANT, CHRISTIAN LARSEN:

Ms. Ms. Kristina Bunting

2 Mr. Michael Gertzman

PAUL WEISS

3 1285 Avenue of the Americas

New York, New York 10019

4

5 FOR THE DEFENDANT, BRADLEY GARLINGHOUSE:

Mr. Samuel Levander

6 Ms. Jackie Brune

CLEARY, GOTTLIEB, STEEN & HAMILTON

7 One Liberty Plaza

New York, New York 10006

8

-and-

9

Mr. Nowell Bamberger

10 CLEARY, GOTTLIEB, STEEN & HAMILTON

2112 Pennsylvania Avenue, NW

11 Washington, DC 20037

12

FOR THE WITNESS:

13 Mr. Jason Lewis

Ms. Marina Stefanova

14 DLA Piper

1900 N. Pearl Street

15 Dallas, Texas 75201

16

-and-

17

Mr. Cory Feinberg

18 Mr. Robert Villasenor

MONEY GRAM

19 2828 N. Harwood

Dallas, Texas

20

21

ALSO PRESENT:

22 Mr. Gery Payne, Videographer

23

24

25

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17 CERTIFIED QUESTIONS

18 (NONE)

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1 LAWRENCE ANGELILLI

2 P R O C E E D I N G S

3 THE VIDEOGRAPHER: This is the start of

4 media labeled Number 1 in the video-recorded deposition of

5 Lawrence Angelilli, in the matter of Securities and

6 Exchange Commission vs. Ripple Labs, Inc., et al., U.S.

7 District Court For Southern District of New York, Cause

8 Number 20-CV-10832.

9 This deposition is being held at DLL -- DLA

10 Piper, LLP, in Dallas, Texas, on August 3rd, 2021, at

11 approximately 9:07 a.m.

12 My name is Gery Payne. I'm the legal video

13 specialist representing TSG Reporting, Inc., headquartered

14 at 747 Third Avenue, New York, New York. The court

15 reporter is Kat Baker, in association with TSG Reporting.

16 Will counsel please identify themselves for

17 the record.

18 MR. CERESNEY: Yes. Andrew Ceresney and

19 Chris Ford, Debevoise & Plimpton, representing Ripple

20 Labs.

21 MR. LEWIS: Jason Lewis and Marina

22 Stefanova, DLA Piper, on behalf of the witness, along with

23 Robert Villasenor and Cory Feinberg of MoneyGram, on

24 behalf of the witness.

25 MR. MOYE: Robert Moye, here for the

1 LAWRENCE ANGELILLI

2 Plaintiffs, the SEC.

3 LAWRENCE ANGELILLI,

4 having been first duly sworn, testified as follows:

5 EXAMINATION

6 BY MR. CERESNEY:

7 Q. Mr. Angelilli, good to meet you. My name is
8 Andrew Ceresney, I represent Ripple Labs in this
9 litigation. Thank you for taking the time today to -- to
10 be with us.

11 Can you please just first state and spell
12 your full name.

13 A. Lawrence, L-A-W-R-E-N-C-E, Angelilli,
14 A-N-G-E-L-I-L-L-I.

15 Q. Great.

16 Can you give us your educational
17 experience?

18 A. I have a master's in business administration,
19 and a bachelor's in economics.

20 Q. What year did you graduate from business school?

21 A. MBA in '81; bachelor's in '77.

22 Q. And are you -- do you have any professional
23 certifications?

24 A. No.

25 Q. Are you a CPA?

1 LAWRENCE ANGELILLI

2 A. No.

3 Q. When did you first start working at MoneyGram?

4 A. 10 years ago. August of 2011.

5 Q. Can you give us just a summary of your work

6 history before you went to work at MoneyGram?

7 A. Prior to MoneyGram, I was the director of

8 underwriting at a private equity fund called [REDACTED]

9 [REDACTED], based in Dallas, with their entity called [REDACTED]

10 [REDACTED].

11 Prior to that I was the senior VP of

12 finance at [REDACTED], which was a public

13 homebuilder and mortgage company.

14 Prior to that I was with a subsidiary of

15 [REDACTED] called [REDACTED]. I was the senior

16 vice president/treasurer of [REDACTED].

17 Q. Okay. And you joined MoneyGram, you said, about

18 10 years ago?

19 A. Yes.

20 Q. What was your initial position?

21 A. Treasurer. Senior VP/treasurer.

22 Q. And tell us about your work experience at -- at

23 MoneyGram?

24 A. So I started when the company moved their

25 headquarters from Minneapolis to Dallas. They were

1 LAWRENCE ANGELILLI

2 restacking their management team and establishing the
3 headquarters where it is today, in downtown Dallas.

4 I was the first of that sort of second
5 layer they were putting in to replace their finance staff,
6 and ultimately moved the treasury and finance functions
7 from Minnesota to Dallas within the following 12 months.

8 Since that time my job was to, I would say,
9 improve and streamline the cash management settlement
10 operations of the company, to establish a foreign exchange
11 trading operation globally, and to establish, essentially,
12 capital markets capabilities to manage the capital
13 structure and the assets of the company.

14 Q. Okay. And who did you report to as treasurer?

15 A. The CFO at the time.

16 Q. And who was that?

17 A. His name was Jim Shields, who was the CFO when I
18 was hired.

19 Q. And who was the CEO at the time?

20 A. Pam Patsley was CEO.

21 Q. Okay. And give us the rest of your history at
22 MoneyGram, in terms of your work history?

23 A. So Jim Shields was replaced by Alex Holmes in
24 March of 2012. Alex Holmes became CFO. I reported to
25 Alex Holmes.

1 LAWRENCE ANGELILLI

2 And then subsequent to that change, my
3 responsibilities expanded, where I was given the tax
4 department of the company. And then, following that, I
5 was given the financial planning and analysis part of the
6 company.

7 And then when [REDACTED] was elevated to
8 CEO, I was elevated to CFO subsequent to that.

9 Q. And when was that?

10 A. It was a public announcement in October of '17,
11 effective January 1st of '18.

12 Q. So you became CFO in January of 2018?

13 A. Right.

14 Q. And how did your responsibilities change when
15 you became CFO?

16 A. It in -- it expanded to include the
17 controllership operation. I did not have the accounting
18 and controllership operation. Also expanded my role in
19 terms of my outward exposure. I began to deal more with
20 shareholders rather than pure fixed income investors,
21 which was the role of the treasurer at the time.

22 Other than that, it was sort of a natural
23 extension of what I had been expanded to in the finance
24 role.

25 Q. Okay. And who reported to you once you became

1 LAWRENCE ANGELILLI

2 CFO? How many -- well, actually, let me start, how many
3 direct reports do you have?

4 A. It's varied greatly, but, essentially, had the
5 controller, the treasurer, the head of tax, head of FBNA.
6 I was assigned risk management responsibilities from
7 a -- for the online and digital piece of the business, so
8 I had the head of risk management for that reporting to
9 me.

10 And then with resignations and
11 terminations, the next layer down would report to me,
12 until I had the replacement. But those were principal --
13 and then I also have a -- a risk management professional
14 that handles insurance risk management that reports to me
15 as well.

16 Q. Obviously, our focus today is going to be on the
17 relationship between MoneyGram and Ripple.

18 What was your re -- what was your role
19 within the relationship with Ripple?

20 A. It started out when our -- we have a lab that is
21 designated with the responsibility of trying new
22 technologies that might have implications for the company
23 in the long-term basis. They came with the suggestion
24 that we try the Ripple -- well, at the time it was called
25 the xRapid product, which we wanted to try it out as a

1 LAWRENCE ANGELILLI

2 potential foreign exchange option.

3 And I green-lighted that program and
4 authorized \$700 to do test trades in -- on the Ripple
5 xRapid program.

6 Q. That must have been a very difficult decision,
7 \$700?

8 A. It was, believe it or not, revolutionary at the
9 time, even though it was \$700.

10 Q. Why was it revolutionary?

11 A. I think blockchain and cryptocurrencies were
12 revolutionary in their nature, and so it was really
13 something that was brand-new and kind of un -- unheard of
14 prior to that.

15 Q. Okay. And that \$700, those were -- so it was
16 seven transactions that were --

17 A. Well, that's what I authorized. I authorized
18 seven \$100 transactions to send money to Mexico, bring it
19 back, send it back, bring it back, and ultimately bring
20 the money back.

21 We ultimately did six transactions, because
22 in this discovery we learned that we could only send money
23 to Mexico, we couldn't return it through the xRapid
24 platform.

25 Q. So then -- so once you -- we're going to,

1 LAWRENCE ANGELILLI

2 obviously, spend much more time on this, but just so we
3 get a sense, but once you authorized the pilot
4 transactions and did the pilot transactions, and I'm using
5 that term, I assume that's a term to describe the seven --

6 A. Yeah, I think that's fair.

7 Q. -- six transactions.

8 Once you did that, what was your role with
9 the relationship as it evolved over time?

10 A. Well, we made a decision at that time that
11 the -- the technology wasn't mature or sufficient to
12 support our needs. We moved millions, not hundreds. And
13 the -- the effective cost of the Mexican peso during that
14 pilot program was prohibitive, and so we -- we continued
15 to watch the technology, assuming that it was immature.
16 But at the time we didn't view it as a viable product for
17 MoneyGram.

18 And I think that we, at the time after the
19 end of the six transactions, viewed that it was probably
20 the end of the test.

21 It was not in conjunction with Ripple. I'm
22 not sure Ripple had any knowledge that we did that. It
23 was really something that we did through -- any person in
24 the public could do.

25 Q. Okay. At some point, though, did you then

1 LAWRENCE ANGELILLI

2 commence negotiations with Ripple to expand the
3 relationship after that?

4 A. There was a period later than that, which was
5 coincidence, but we were introduced to Brad Garlinghouse
6 by a private equity fund. He came to Dallas. It was part
7 of an exploratory due diligence that was going on at the
8 time to see if there was a possible investment in the
9 company.

10 Brad came to Dallas for one of those due
11 diligence meetings. And then from -- ultimately, the
12 exploratory due diligence didn't lead to a transaction,
13 and Brad got to know the company and thought maybe that
14 they could do something independent of the private equity
15 fund that it came with originally.

16 Q. Which private equity fund was it originally?

17 A. [REDACTED]

18 Q. So then what happened after that with the
19 relationship?

20 A. Well, then he introduced his team. [REDACTED]

21 [REDACTED] was introduced to us as sort of a lead. And at that
22 time we explained to [REDACTED] that we had already had
23 familiarity with the product, that it was not economically
24 viable. And we were told that -- you know, that we should
25 take another look at it, and if we did an integration or

1 LAWRENCE ANGELILLI

2 some sort of relationship, that we'd find that the results
3 could be different.

4 Q. Okay. And then what happened after that?

5 A. So we began exploratory due diligence again,
6 except specifically with them. They came in with various
7 employees. They came with the team. They wanted to
8 understand what we had learned and why we didn't view the
9 product as viable, and started to formulate the backbone
10 of a commercial agreement where we would do an integration
11 and try to be able to scale the business. And I think at
12 the time their thesis was that if there was some sort of
13 risk aversion, you know, in other words, they would
14 basically subsidize the transactions and we would do an
15 integration and there would be sort of a -- you know, a
16 risk solution, so that if we could give it time to develop
17 into a mature product.

18 And it evolved where we had several turns
19 of the agreement and it evolved into the agreement that
20 you have today.

21 Q. And ultimately, with -- did this lead to Ripple
22 making an investment in MoneyGram, and then also a
23 commercial agreement with the use of xRapid?

24 A. Those were really two separate discussions that
25 were going on. And I think the -- the investment in

1 LAWRENCE ANGELILLI

2 MoneyGram was sort of managed by [REDACTED] and myself at
3 the time. It wasn't something that we had sought. We
4 didn't ask for it, it was sort of offered to us.

5 And not -- everybody on the team wasn't
6 aware that that was also going down a parallel path. It
7 wasn't as interesting to us as the commercial agreement
8 was. And that also went through various iterations of an
9 agreement that ultimately came to fruition, but it was
10 not -- they weren't, essentially, part and parcel when
11 this process started.

12 Q. So, essentially, this is two separate
13 transactions that you entered into, correct?

14 A. Yes.

15 Q. You viewed those as two separate issues,
16 basically?

17 A. Yes.

18 Q. And I think what you said was you saw the
19 commercial agreement which was the use of xRapid as being
20 a very interesting proposition?

21 A. Correct.

22 Q. Why did you see it as interesting?

23 A. I've said -- and I said this publicly -- we
24 thought that if there was anybody that would -- that
25 needed to look at this technology to see if it was viable,

1 LAWRENCE ANGELILLI

2 it was us, because at the time, you know, we traded 36
3 different currencies. At the time we were trading [REDACTED]
4 [REDACTED] a month in foreign
5 exchange. And we continued to escalate from that.

6 And we also have very steady and predictable
7 flows, so that we were a constant participant in the
8 foreign exchange markets that we participate in.

9 So it seemed ideal that if you were going
10 to do a beta test or you would have some sort of partner,
11 that the two of us -- it made a lot of sense, because they
12 had this blockchain, we had this flow, and you could put
13 them together and really do a fluidity test to see if this
14 was viable in the long-term.

15 Q. Was this something in which you saw as sort of a
16 long-term project, where over time it would grow?

17 A. I think -- you know, I'm not sure how you would
18 define "long term." I think Ripple was very optimistic
19 that within, let's say, two years, that this would be a
20 deep liquid multicurrency platform, and the original
21 commercial agreement was in the two- to three-year range.
22 And that was the discussion, and that the theory being
23 that within two years we wouldn't need a commercial
24 agreement anymore, that basically -- that we would be, you
25 know, essentially, using it in our day-to-day activities

1 LAWRENCE ANGELILLI

2 and would never want to stop.

3 Q. And was it -- did you ultimately extend that
4 agreement to four years at some point?

5 A. Yes. I think it went to three and then to four,
6 if I am correct, but it did get extended.

7 Q. And was the liquidity of the markets important
8 to the product working as well as you -- as you had hoped
9 it would?

10 A. It's essential to the product working. And that
11 was the, you know, I would say the piece that was missing
12 when we started this. And that was really the whole
13 reason of the combination, is to develop deep and liquid
14 markets for these foreign currencies.

15 Q. Is it your understanding that Ripple was very
16 focused on trying to increase liquidity in the markets in
17 which xRapid was --

18 A. Yes. They represented to us that that was
19 basically the majority of their efforts. We had
20 established a list of currencies that were the most
21 advantageous for MoneyGram, where we would be able to
22 provide the most liquidity on our side. We compared notes
23 with them. We gave them a list. And they had a team
24 diligently trying to establish counterparties in those
25 markets.

1 LAWRENCE ANGELILLI

2 Q. Was it your understanding that the xRapid
3 product was a viable -- potentially viable product?

4 MR. MOYE: Objection, foundation.

5 A. It was -- it was viable from its -- I would
6 describe it as viable from its mechanics, but not viable
7 from its effectiveness as a -- as a product. In other
8 words, it worked in terms of moving the currency within
9 the time frame that they established, which was literally
10 minutes, but it wasn't viable from a -- a commercial
11 standpoint, where we would use it as an alternative to
12 traditional foreign exchange markets.

13 Q. (BY MR. CERESNEY) And was that a possibility
14 over time, that it could become --

15 A. That was the hope. That was the expectation.
16 And the documents were crafted so that there was a bridge
17 between when that eventuality would take place and when we
18 started in the summer of '19.

19 Q. And is it fair to say that during the term of
20 the relationship with Ripple, you were working with Ripple
21 to try to get to a place where it could be the kind of
22 product that you initially, in entering into this
23 agreement, thought it could be?

24 A. Correct.

25 Q. And we'll get to this -- well, let's come back

1 LAWRENCE ANGELILLI

2 to that.

3 We took a detour. I want to go back. I'll
4 come back to a lot of this in more detail as we -- as we
5 go ahead today.

6 I want to just -- let me -- let me show you
7 what's been marked as Exhibit 1.

8 (Exhibit 1 marked.)

9 Q. (BY MR. CERESNEY) And I'll ask you to take a
10 look at that and tell me whether you recognize --

11 A. That is my sworn statement to the SEC.

12 Q. Okay. If you look at the last page of this
13 document, page 13.

14 Is that your signature on the document?

15 A. Yes, it is.

16 Q. And that's dated March 14th, 2021?

17 A. Correct.

18 Q. And you signed this document under the penalty
19 of perjury; is that fair?

20 A. That's correct.

21 MR. MOYE: Is this 1?

22 MR. CERESNEY: Yeah.

23 A. Yes.

24 Q. (BY MR. CERESNEY) Now, who drafted this
25 document?

1 LAWRENCE ANGELILLI

2 A. The SEC drafted the first draft of this document
3 based on my response or the company's response to
4 questionnaires that they had provided.

5 So what they did is there was a series of
6 questionnaires. They took those answers and crafted them
7 into the first draft of this document.

8 Q. When you say "questionnaires," were those
9 written questionnaires?

10 A. They were.

11 Q. Okay. And did you actually provide the SEC with
12 written responses to their questionnaires?

13 A. We did.

14 MR. CERESNEY: Okay. I'm going to ask
15 Jason that you produce those, that's if all right with the
16 SEC.

17 MR. LEWIS: We'll talk about that maybe at
18 the break. Just -- you want to go off the record real
19 quick or do you want to do it at the break?

20 MR. CERESNEY: Why don't we do it at the
21 break.

22 MR. LEWIS: Okay. Okay.

23 MR. CERESNEY: Okay.

24 Q. (BY MR. CERESNEY) But you recall that there
25 were questionnaires and you answered -- did you provide

1 LAWRENCE ANGELILLI

2 the answers to those questionnaires yourself?

3 A. Many of the technical questions in here were my
4 answers.

5 Q. And did you actually meet with the SEC before
6 this declaration was signed?

7 A. No, never.

8 Q. Have you ever met with the SEC?

9 A. We had a brief Zoom call on Friday evening
10 before this meeting; so last Friday and then we met with
11 them yesterday afternoon.

12 Q. Okay. How long did the call on Friday last?

13 A. 45 minutes to an hour.

14 Q. And how long was the meeting yesterday?

15 A. Three hours.

16 Q. Three hours, okay.

17 And who from the SEC did you meet with
18 those two times?

19 A. Well, in person we met with Rob yesterday. And
20 on the call he had two associates with him on the phone.

21 Q. Do you remember who the names of those
22 associates were?

23 A. I don't remember their name.

24 Q. And what did you discuss with the SEC during --
25 during those meetings?

1 LAWRENCE ANGELILLI

2 A. Well, the Friday call was very perfunctory in
3 terms of how a deposition works, what the definitions of
4 objections are, sort of the procedural aspects of how this
5 would work, and what it means when an attorney objects.

6 It was also, I think, encouraged me to tell
7 the truth and to remind me that I was under oath. And
8 that -- I mean, it was a procedural, I would say, you
9 know, depositions 101 type of class.

10 Q. Okay. How about the meeting yesterday?

11 A. Yesterday was -- there was a little bit of a
12 repeat of -- of that, and then some exploratory questions
13 based on my sworn statement.

14 Q. Any particular areas that you recall covering?

15 A. Mainly around the beginning of the relationship,
16 similar to the questions you were just asking, and then
17 went to the end of the relationship for some exploratory
18 questions around that, and then questions around the SEC
19 accounting impact, where we had gone for preclearance on
20 some accounting rules, and we discussed that.

21 Q. Anything -- sitting here today, is there
22 anything that you want to correct in the declaration?

23 A. No.

24 Q. And anything that you told the SEC yesterday
25 that wasn't in the declaration?

1 LAWRENCE ANGELILLI

2 A. I would say probably. I think there was
3 background information, just in the same vein of the
4 questions that you were just asking me.

5 Q. Okay. So the SEC drafted the first draft of
6 this declaration?

7 A. Yes.

8 Q. Did you provide edits to the declaration?

9 A. I did.

10 Q. And did the SEC then edit it further after you
11 provided that --

12 A. Generally, they accepted the vast majority of my
13 edits.

14 Q. How extensive were your edits?

15 A. That's a really hard -- I don't know what
16 extensive means.

17 Q. Right.

18 Would you say that it was a heavily edited
19 document from what they initially drafted?

20 A. I don't know what heavily edited means. I mean,
21 you could imagine we -- we edit the documents a lot in my
22 role.

23 Q. And how did it compare to the typical amounts of
24 edits that that you had done when editing a document?

25 A. Probably fairly typical of a financial document

1 LAWRENCE ANGELILLI

2 that I would edit.

3 Q. So you had a good -- would you say you had more
4 than 20 comments?

5 A. I don't know how to answer that.

6 MR. CERESNEY: Jason, I'm going to ask for
7 the production of all the drafts of the -- at least what
8 was shared with the SEC back and forth, okay?

9 MR. LEWIS: Yes.

10 MR. CERESNEY: Thank you.

11 Q. (BY MR. CERESNEY) Did the SEC ask you during
12 their meeting yesterday to emphasize anything today during
13 your deposition?

14 A. No.

15 Q. Did they give you any direction about particular
16 things to talk about during your deposition?

17 A. No.

18 Q. Okay. All right. I'm going to refer to the
19 declaration as -- a number of times as we go through it
20 today.

21 But -- and you have already talked about
22 some of this. But what are the principal ways that
23 MoneyGram earns revenue?

24 A. There are two components to our revenue. We
25 charge a fee when someone sends money. And then we --

1 LAWRENCE ANGELILLI

2 depending on the corridor, which is the currency pair, we
3 will charge a spread on foreign exchange. And the
4 combination of that fee and foreign exchange is virtually
5 100 percent of our revenue in the money transfer business.

6 Q. Okay. And how many jurisdictions do you have
7 offices in?

8 A. It's an estimate, but I believe we have about 35
9 or 36 foreign offices around the world.

10 Q. And so somebody can send money between each of
11 those jurisdictions?

12 A. No. An office for MoneyGram is -- is irrelevant
13 to the countries that we remit to. We actually allow
14 remittances to over -- I think it's 200 or 201 countries
15 or sovereign entities. There are some temporaries
16 involved in there, too.

17 Q. And within a particular country, do you have
18 licensees or other relationships --

19 A. It varies by country. Every country has their
20 own rules.

21 Q. Just wait until I finish the question.

22 A. All right.

23 MR. LEWIS: She -- she's going to yell at
24 us in a minute.

25 THE WITNESS: I -- I -- you know, the last

1 LAWRENCE ANGELILLI

2 time I was deposed, I got yelled at by the court reporter.

3 Q. (BY MR. CERESNEY) So within each country,
4 though, you have some representative that could take
5 remittances and route them through MoneyGram?

6 A. We have agent relationships that handle that.

7 Q. Within each country?

8 A. Yes.

9 Q. And you said about 200 countries?

10 A. Correct.

11 Q. Okay. And what proportion of your revenue comes
12 from money transfer services?

13 A. It varies based on interest rates, but I would
14 say currently roughly 90 -- probably 95 percent of our
15 revenues come from money transfers.

16 Q. And is your revenue concentrated in any
17 particular currency in any particular markets? In other
18 words, does a larger part of your revenue come from
19 particular markets?

20 A. The United States is the largest send country
21 for us in the world. We book our revenue at the send.
22 The receiver doesn't pay a fee, but the sender does. So
23 the United States is our largest. And Europe, the
24 continent, would be sort of -- the euro zone would be
25 number two.

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2 Q. And then how about recipient countries, do you
3 measure the volume in recipient countries?

4 A. The largest is Mexico, and then it -- it goes
5 down from there. But the typical large receive countries
6 of the world are our larger markets, so India, the
7 Philippines would be in the top five.

8 Q. Okay. And so the U.S./Mexico corridor, is that
9 the largest corridor that you guys have?

10 A. It is, yes.

11 Q. It is.

12 And what -- what is the next largest
13 corridor after that?

14 A. I don't know that off the top of my head.

15 Q. Okay. But you said the Philippines is a -- is a
16 large recipient of funds?

17 A. Correct.

18 Q. And how about Australia, is Australia also a
19 large venue for -- or a large market for you to either
20 send or receive?

21 A. It's a send country. And relative to the rest
22 of the world, it's not -- it's important, but I wouldn't
23 say it's top five.

24 Q. Okay. And what is the volume of money -- I
25 think you mentioned this earlier. I think you mentioned a

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2 billion dollars. But what is the volume of money that you
3 typically process on a daily basis?

4 A. If you segregate money transfers of what we --
5 we typically will move approximately a [REDACTED]
6 [REDACTED] a day in all of our money transfer
7 activity.

8 Now, we also have a subsidiary that's
9 called [REDACTED], which is a U.S.-based
10 business, which we would move much larger quantities of
11 that, but I don't think that is, you know, pertinent to
12 this discussion because it doesn't involve foreign
13 exchange.

14 Q. And how about the U.S./Mexico corridor, do you
15 have a sense for what the daily volume of that corridor
16 is?

17 A. It can be \$10 million a day.

18 Q. Okay. And is it fair to say that MoneyGram is
19 one of the world's largest money remitters?

20 A. Yes.

21 Q. What -- how do you rank as a money remitter?

22 A. It's -- it's hard to determine that based on
23 what metric you use. But under any kind of public
24 information, we're usually considered the second largest
25 or the third largest depending on what metric you use.

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2 Q. And what are the other -- one or two other
3 competitors?

4 A. [REDACTED] is the largest in the world by
5 far. They're probably four times as large as we are. And
6 then there is a company called [REDACTED] which is a subsidiary
7 of a public company called [REDACTED]. They have a money
8 transfer segment. They're actually a diversified company.
9 And it's difficult to ascertain whether they are larger or
10 smaller than us from a revenue, but they're smaller than
11 us from a transaction perspective.

12 Q. Is it fair to say -- and strike that.

13 There are lots of other smaller money
14 remitters out there; is that fair?

15 A. Yeah.

16 Q. As a large money remitter, are you able to
17 negotiate certain relationships and efficiencies in terms
18 of your money -- in terms of your foreign exchange
19 operations?

20 A. Negotiate is probably not a relevant word in
21 that case. The foreign exchange markets are typically
22 very deep and liquid. And our transaction size permits us
23 to have large efficient transactions.

24 Q. Fair to say that the cost for you to transfer FX
25 between countries is cheaper than much smaller -- than

1 LAWRENCE ANGELILLI

2 smaller money remitters?

3 A. It would be highly dependent on the currency.

4 Q. So how about the U.S./Mexico corridor, is it
5 fair to say that you have cheaper FX exchange rates than
6 smaller remitters?

7 MR. MOYE: Objection, call for speculation.

8 A. It would be -- if -- if it was, I don't have the
9 ability to answer that. [REDACTED]

10 [REDACTED]

11 Q. (BY MR. CERESNEY) You have negotiated a flat
12 fee for money transfers, a base fee; is that fair?

13 A. To the consumer?

14 Q. No. Let me strike that. Let me back up.

15 A. Okay.

16 Q. When you -- so a consumer sends money to
17 somebody in Mexico; is that fair?

18 A. Yes.

19 Q. You don't transfer funds for each one of those
20 money transfer -- money remitters -- money transfers; is
21 that fair?

22 A. Correct.

23 Q. How do you go about conducting your operations
24 to transfer money between jurisdictions?

25 A. So the business is open 24/7, and we have a

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2 system that records all of the transactions real-time from
3 our agents all over the world. We have cutoffs during the
4 day where we are able to aggregate those transactions and
5 either buy or sell the currencies that we need to settle
6 with the agents in those -- in those countries.

7 So specifically for Mexico, we know when we
8 come in in the morning what transactions have been
9 completed over the last 24 hours. [REDACTED]

10 [REDACTED] And
11 we know through -- we have some algorithms and some models
12 that are predictive in terms of how much money we will
13 need, because [REDACTED]
14 [REDACTED]
15 [REDACTED] that's -- that we predict
16 based on our models and algorithms.

17 Q. So you aggregate all of the money transfers in a
18 particular day, and you make sure that you have the money
19 in that jurisdiction to cover all of those transfers; is
20 that fair?

21 A. Correct.

22 Q. And so you place that money in that jurisdiction
23 really in advance of those transfers occurring?

24 A. It depends. It depends, again, on the country
25 and the currency. In Mexico, as long as we're on

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2 Mexico --

3 Q. Let's use Mexico.

4 A. -- Mexico has a very active what's called a
5 today market and a tomorrow market and a spot market, and
6 because we're in that same time zone, what we have the
7 ability to do is access all three of those markets. And
8 so as our needs are evolving during a period of time, we
9 can top up our -- the amounts that we need in Mexico. So
10 we do access typically what are called the cash/tom and
11 spot market in Mexican peso. But I'd say the majority of
12 our trades are spot, which is T+2.

13 Q. And what is T+2?

14 A. That is the day that you execute the trade
15 versus the day that you receive the proceeds in your
16 account.

17 Q. And so that means that you need to settle
18 transactions two days after they actually occur; is that
19 fair?

20 A. It means that we're -- we're funding agents for
21 transactions that were done two days ago. Yes.

22 Q. Okay. Do you need to preposition funds in a
23 particular country given the foreign transfer operations
24 you just described?

25 A. We have established treasury operations in

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2 Singapore and in London, and we've done some trading out
3 off Dubai from time to time that will let us shorten that
4 window and not be subject to forward trades. And we've
5 shortened the window. But typically, we are using the
6 spot market mainly because it's the most efficient market.
7 But we tend to have the ability to use shorter trades if
8 we need to.

9 Q. So in the declaration that you -- let me
10 actually look at the declaration that you filed.

11 And in the declaration, I want to direct
12 your attention to paragraph -- paragraph 3.

13 And in the declaration, you talk about, in
14 paragraph 3, I will just read this -- yes -- you talk
15 about how, To meet our consumer obligations, MGI must have
16 sufficiently -- sufficient highly liquid assets at all
17 times and be able to move funds globally on a timely
18 basis. On average, we receive and pay out a similar
19 amount of funds on a daily basis to collect and settle the
20 principal amount of our payment instruments sold, as well
21 as related fees and commissions with our end consumers and
22 agents. We preposition cash in various countries and
23 currencies to facilitate the settlement of our
24 transaction, which we accomplish with foreign currency
25 trades. On average, MGI typically has [REDACTED]

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2 in working capital to support its settlement in foreign
3 currencies and approximately [REDACTED] of foreign
4 currency prefunds in selective countries each day.

5 So just this reference to [REDACTED] in
6 working capital and [REDACTED] in foreign currency
7 prefunds, can you just explain to us what each of those
8 concepts entails?

9 A. Sure. So the [REDACTED] represents the amount
10 of foreign currency that was essentially on deposit in
11 banks around the world in non-U.S. dollars.

12 And when we're settling a transaction -- so
13 when an agent pays out, you know, a transaction -- I will
14 just kind of walk you through maybe a typical day. If
15 an -- if an agent pays out a transaction today on a
16 Tuesday, it will record in our system real-time. And then
17 we need to settle with them under the SLAs under their
18 contract to -- basically within 12 to 24 hours for them to
19 be reimbursed for their payment to the consumer.

20 So considering that we've got every time
21 zone in the world, what you're really doing is you have to
22 have money in that jurisdiction so that you can move that
23 money to the agent so that on his Wednesday morning, he
24 comes in and sees the money in his bank account that he's
25 been reimbursed for the payment that he made.

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2 That is not the case in every agent
3 transaction, but that's a typical agent transaction.

4 Q. And that's [REDACTED]?

5 A. And that's [REDACTED]. It's been as high as

6 [REDACTED].

7 Q. So as high as [REDACTED] that you have to have
8 around the world to settle those transactions?

9 A. Correct.

10 Q. Okay. And then what is the [REDACTED] that is
11 referenced here?

12 A. So foreign governments around the world have
13 instituted consumer protection legislation. Typically,
14 receive companies like India, they're probably the best
15 example. They have what's called a regulatory or
16 mandatory prefund. Rather than do credit work in terms of
17 every remitter that's remitting money in India, what they
18 do is they say, well, you're just going to have to post
19 essentially cash collateral. And it's a formula based on
20 your level of activity. So if your activity goes up, then
21 there is lagging sort of prefund that you have to do.

22 That is above and beyond the [REDACTED].

23 So those funds are not used for settlement. They're
24 basically overcollateralization. In the European Union
25 one, we actually have the opposite, where they have

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2 consumer protection legislation for sends. Europe tends
3 to be a send continent. And so what happens there is we
4 have to actually post collateral in a separate account for
5 the regulators there where it's also not used for
6 settlement, but overcollateralization for sends.

7 So the total of those -- again, they
8 fluctuate based on our activity -- have averaged around
9 [REDACTED].

10 Q. So -- and working capital, by the way, you said
11 could go as high as [REDACTED]?

12 A. Correct.

13 Q. So that is over [REDACTED] that would need to
14 be either prepositioned or available to settle
15 transactions in foreign currencies?

16 A. Right.

17 MR. MOYE: I'm sorry; we may have lost
18 sound on the Zoom. Is there any way we can check.

19 THE VIDEOGRAPHER: It looks like we did.

20 Can we go off the record?

21 MR. CERESNEY: Yeah.

22 THE VIDEOGRAPHER: I apologize.

23 Off the record at 9:48.

24 (Recess in the proceedings from 9:48

25 to 9:50 a.m.)

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2 THE VIDEOGRAPHER: Back on the record at
3 9:50.

4 Q. (BY MR. CERESNEY) So, Mr. Angelilli, you were
5 explaining before the break that there is about [REDACTED]
6 [REDACTED] plus in dollars that are committed to settlement
7 of transactions or prefunding transactions?

8 A. Yes.

9 Q. Are there costs to having that large amount of
10 money tied up for those types of transactions?

11 A. In our capital structure, the offset to that is
12 debt. So we tend to look at the amount of working capital
13 that are -- is required to run the business. In a -- in
14 our balance sheet, we support those assets with external
15 borrowing, so it would be our cost of funds.

16 Q. So there are interest costs and other costs to
17 obtaining debt; is that fair?

18 A. It's a complicated -- it's not a yes-no answer
19 to that question. There's a built-in amount of
20 variability in our balance sheet that our debt is not
21 automatically prepayable. So what I -- what I think needs
22 to be clear is that -- I'll just give an extreme example.
23 If we reduce our working capital needs by [REDACTED], it
24 doesn't result in the repayment of [REDACTED] of debt.

25 Q. Right.

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2 A. So there's -- the assets are highly variable.

3 The liabilities tends to be fixed. So that is where I
4 think we get to the concept of scale, is that at scale,
5 the reduction in our working capital can have an impact of
6 reducing our interest expense, but it has to be
7 significant. And it has to be -- I mean, extremely large.

8 Q. And so if something -- if you're able to operate
9 on a different basis at scale, then you're able to reduce
10 your costs?

11 A. In theory, yes.

12 Q. And that was something that at least in your
13 deal with Ripple, you were conceiving was possible?

14 A. That was something particularly that I was
15 particularly interested in. And, in fact, Ripple didn't
16 come to us with the idea that this was going to be a
17 capital-efficient transaction. It was our understanding
18 of our own balance sheet that it was attractive to us that
19 if we could find a way to fund our foreign exchange on a
20 current-day basis and match off against our settlement,
21 that it could have the impact of reducing our working
22 capital needs. And that is where a lot of the language
23 that you probably see publicly around this being a capital
24 efficient, that was a MoneyGram invention.

25 Q. So -- and I just want to make sure that the

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2 record is totally clear on this.

3 So the ODL product allowed you to settle
4 transactions in real time; is that fair?

5 A. Yes.

6 Q. And so you didn't need to float capital to fund
7 the settlement of transactions during that -- to fund
8 settlement transactions?

9 A. That was the theory. In practice, it didn't
10 work that way.

11 Q. But in theory, if it -- if -- if the liquidity
12 of the markets was sufficient for the ODL product to
13 operate at scale, then that could operate as a real time
14 settlement?

15 A. No. And the reason for the negative answer is
16 that the introduction of exchanges into the ODL process,
17 which is outside of the control of Ripple, was actually
18 extremely inefficient in terms of its impact on our
19 working capital.

20 Q. And does -- and we're going to get to the
21 exchange costs in a moment.

22 A. Okay.

23 Q. If you were able to lower those exchange costs
24 to a certain level, might it then be as efficient as the
25 traditional payment route?

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2 MR. MOYE: Objection, calls for
3 speculation.

4 A. Actually, I can answer that very specifically.

5 No. There's two components to the exchanges.

6 Number one, which is reflected in my sworn
7 statement, that the exchanges were expensive and did throw
8 an impediment to effectiveness on the cost of these funds.

9 But the second impact, which came as
10 somewhat of a surprise, was that they also required us to
11 post collateral. So what was happening was even though we
12 were transacting in real time and not having to prefund
13 the accounts in this working capital that we were
14 discussing, we were using similar or, in some cases, more
15 to satisfy the credit needs of the exchanges or their
16 working capital. And we were providing prefunds to the
17 exchanges. And so net-net, it was no benefit to using the
18 ODL service.

19 Q. (BY MR. CERESNEY) And was that the sending
20 exchanges that you were prefunding?

21 A. I'm sorry?

22 Q. The sending -- there's two exchanges, right?
23 There's the exchange where you convert dollars to XRP,
24 and then there's the exchange with you converting XR --

25 A. Yes.

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2 Q. Hold on.

3 A. Okay.

4 Q. -- XRP to pesos, right? So let's just take the
5 U.S./Mexico corridor.

6 There's the -- there's the initial exchange
7 where you purchase XRP, and then there's the exchange
8 where you sell the XRP for pesos. When you talk about
9 that you needed to post collateral, is there -- is one --
10 is both of those exchanges what you're talking about, or
11 is it one of those exchanges?

12 A. I'm not sure. I think it was the send exchange.

13 Q. And if you were able to purchase the XRP from
14 Ripple as opposed to from the exchange, would that
15 eliminate the need to post the collateral?

16 A. In theory, yes. We were never able to test that
17 theory.

18 Q. Is that something that you ended up discussing,
19 though, with Ripple as a possibility?

20 A. It was suggested by them and never brought to
21 fruition.

22 Q. But was that something that you understood that
23 other participants in the ODL product had done, that is,
24 purchased XRP from Ripple that then was transferred to
25 pesos?

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2 MR. MOYE: Objection, form, foundation.

3 A. I wasn't aware what others were doing.

4 Q. (BY MR. CERESNEY) Okay. But you did have
5 discussions with Ripple about that possibility?

6 A. The topic came up.

7 Q. And tell us about those discussions.

8 A. I was not a direct party to those discussions.

9 We had been having repeated conversations with them about
10 the lack of cost-effectiveness. Ripple was also highly
11 motivated to solve for that problem because of the
12 make-whole agreement. And as the transactions became less
13 and less efficient, the amount of the make-whole was going
14 up. So I think they were also coming up with ideas.

15 Now, in terms of the working capital side
16 of this, that was secondary to us. It wasn't -- even if
17 that problem had been solved, it wouldn't have made the
18 ODL product any more interesting or have any utility to
19 us. The working capital argument was a secondary argument
20 that we thought was -- if I could just use a common
21 term -- like frosting on the cake. In other words, if --
22 ultimately, we still needed two things in terms of foreign
23 exchange. We needed effective cost of the currency, and
24 we needed reliability in terms of having those
25 transactions land on time and in the right place.

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2 The impact on our working capital was
3 secondary. And it really goes to what I was describing
4 earlier in that based on the scale of what we were doing,
5 even if we had done 100 percent of our Mexico peso and we
6 were doing [REDACTED], buying directly from them and
7 relieving the collateral at the exchanges wasn't going to
8 change the formula in terms of our cost of capital. And
9 even without the exchange fees, the execution on the
10 Mexican peso spreads independent of the exchange fees was
11 nowhere near the market.

12 Q. Okay. So let me just break down that answer for
13 a moment.

14 So I want to just sort of explore the
15 performance of the product and the issues that you just
16 discussed.

17 In terms of -- well, let's just talk about
18 some of the components of the product. So in terms of
19 speed of transactions, how quickly did the ODL
20 transactions settle?

21 A. It -- we could see the proceeds hit our balance
22 reporting in Mexico, for example, within 6 minutes.

23 Q. And was that much quicker than the typical
24 settlement of foreign transactions?

25 A. Yes.

1 LAWRENCE ANGELILLI

2 Q. How much quicker?

3 A. Again, a hard question to answer.

4 The -- the way the cash markets work is
5 typically you have to close your trade before noon in the
6 time zone of your common party. And if you close that
7 trade before noon, in Mexico, which has the ability to do
8 real time bank-to-bank transfers, we would see that in our
9 account the same day. And it was really academic whether
10 it was within our account within 6 minutes or within the
11 same day. We were in our system needing it the same day.

12 What Ripple did was provide the ability to
13 cash trades after noon, and then what it did was extended
14 the window for cash trades in those markets because we
15 didn't have a new deadline.

16 Q. And so Ripple's ability to do those trades 24/7
17 was a major plus of the ODL product.

18 A. That was what was particularly interesting to us
19 in the beginning was that it was 24/7, and for a while, we
20 were doing trades on Saturdays and Sundays and holidays
21 when the banks were closed. We stopped doing that because
22 the trades became actually very expensive for us. They
23 were off-market trades, so we stopped doing it.

24 But the blockchain was extremely effective
25 in getting those trades through when -- on seven days a

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2 week. I --

3 Q. I think that answers the question.

4 A. Okay.

5 Q. So the ODL product did work in terms of the
6 speed that it promises; is that fair?

7 A. Correct.

8 Q. And it did work in terms of the 24/7 ability to
9 do trades?

10 A. Yes.

11 Q. You mentioned reliability of transactions.

12 Was the ODL product over time reliable in
13 terms of landing transactions that -- that had been
14 executed?

15 A. It's reliable -- its reliability decreased over
16 time, and it tended to become less reliable the more
17 volume that we were putting through it.

18 Q. Okay. Was that something that Ripple indicated
19 could get better as the liquidity in the markets improved?

20 A. I don't think they understood why that was
21 happening.

22 Q. Okay. What -- were there discussions about
23 trying to solve that through improving liquidity in the
24 markets?

25 A. No. At least not that I'm aware of, because

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2 the -- the other aspect of this is that -- and again,
3 I'll -- we'll stay on Mexico -- assuming we were going to
4 do \$10 million in trades a day. We might do two trades,
5 maybe three, sometimes one.

6 With Ripple we were doing -- we had a bot
7 that actually was directly integrated with their system,
8 and was going out and doing \$30,000 trades in rapid
9 succession, to get us to the amount of trading that we
10 needed.

11 What was happening is that occasionally
12 these \$30,000 trades would fail. They had a concept
13 called a slippage pool, which would basically take that
14 trade off of the screen and put that XRP into some sort of
15 escrow.

16 And what happened was -- is we continued to
17 ramp up these volumes. We would have more and more of
18 these failures on \$30,000 transactions. It was random.
19 And in our grand scheme of things, you know, if we had,
20 you know, I don't know, 10 of these things fail, it
21 \$300,000. [REDACTED]

22 [REDACTED]

23 [REDACTED] but it was

24 not -- it was just a caution to us that there was
25 increasing amounts of these transactions that were not

1 LAWRENCE ANGELILLI

2 completed.

3 Q. And was that something that you were working
4 with Ripple over time to try to address?

5 A. It was not something that we could address. It
6 was clearly on their side. It was -- their market makers
7 were not there for the other side of that trade. We were
8 never -- you know, we never saw behind the curtain, in
9 terms of how they were handling their market makers or on
10 that side of the counterparty.

11 Q. Did Ripple indicate to you that they were trying
12 to address that issue?

13 A. Not to me directly.

14 Q. Were there others, by the way, in your
15 organization that were dealing on a day-to-day basis with
16 Ripple?

17 A. In the -- in the -- beginning and then probably
18 in the first six to nine months of the Ripple arrangement
19 there was a weekly call. Sometimes in person, when they
20 would come to Dallas, where their team would meet with our
21 treasury team to discuss problems, issues, and also to
22 develop a roadmap for additional currencies.

23 Q. Were you in those meetings during the first six
24 months?

25 A. Not -- not usually.

1 LAWRENCE ANGELILLI

2 Q. And how about -- how about after that, were you
3 in any meetings directly with Ripple on a day-to-day
4 basis?

5 A. No. I was informed of those meetings and of the
6 issues. And then what started to happen was Ripple
7 started to have some resignations of some of those key
8 people that we were dealing with.

9 And then also, you know, one of the things
10 that happened, and it's explained here in my statement, is
11 that we took a fairly dramatic reduction, in terms of the
12 amount of XRP or the amount of currency that we were
13 running through their system.

14 Around that same time they had indicated to
15 us that they weren't having success adding new currencies,
16 so we suspended the weekly meetings, because now our
17 volumes were so much lower, and that the planning for
18 additional currencies had been, at least seemingly to us,
19 curtailed. And the frequency of the -- the meetings
20 decreased, and especially when some of their key people
21 had resigned.

22 Q. Okay. So but there were others within MoneyGram
23 who were dealing on a day-to-day basis with Ripple more
24 directly?

25 A. Yeah. In fact, we had -- our treasury was

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2 trading on the platform. So most of it was automated
3 through this integration. But in the event that there
4 were issues, our treasury people were talking to their
5 temporary people.

6 Q. Okay. I want to come back to the FX plus in a
7 moment. I wanted to focus --

8 MR. CERESNEY: You want to take a break?

9 MR. LEWIS: Well, we've been going a little
10 over an hour --

11 MR. CERESNEY: Okay. Oh, yeah, sure.

12 THE VIDEOGRAPHER: We're off the record at
13 10:07.

14 (Recess in the proceedings from 10:07 to
15 10:19 a.m.)

16 THE VIDEOGRAPHER: We're back on the record
17 at 10:20.

18 Q. (BY MR. CERESNEY) Mr. Angelilli, one question
19 about the failed transactions you talked about earlier,
20 and the rate of failures.

21 And we've done analysis of the data that
22 MoneyGram supplied to the SEC. And what we see in the
23 data actually shows that the rate of failure of
24 transactions went down over time.

25 Is that consistent with your understanding?

1 LAWRENCE ANGELILLI

2 MR. MOYE: Objection, argumentative,
3 foundation, calls for speculation.

4 A. I don't have trend analysis.

5 Q. (BY MR. CERESNEY) Okay. And so you don't --
6 you don't actually have that analysis to be able to opine
7 upon that issue right here?

8 A. I just heard about it more as time went on.

9 Q. Okay. So you don't actually have data
10 to -- to -- specific data that would tell you that; that's
11 just anecdotal is what you're saying?

12 A. Correct.

13 Q. I want to go back to traditional money
14 transfers. You know, and again, separate from the ODL, I
15 want to just go back to -- and we've done some talking
16 about this already, obviously, in a bunch of ways. I just
17 want to make sure I've got the full scope of what the
18 traditional costs of transfers between jurisdictions is.

19 We've talked about -- well, let -- let's
20 just list them. And you've mentioned some of these
21 already, but let's just go through some of those costs. We
22 talked about the capital cost of prepositioning cash.

23 What other costs, if you had to list them,
24 exist?

25 A. Commission expense is our largest expense. In

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2 agent contracts, we pay commissions to the send agent and
3 the receive agent.

4 And then in certain contracts and certain
5 countries we pay commissions off of the foreign exchange
6 spread. So it's highly variable. But -- so what we share
7 is a portion of our fee and a portion of our foreign
8 exchange. And those are our primary costs per
9 transaction.

10 Q. So fee and foreign exchange, basically?

11 A. So it's -- it's -- it's sort of in the same
12 category as the revenue; you get the revenue as fee, plus
13 foreign exchange, and our principal expense is sharing
14 both fee and foreign exchange.

15 Q. And so tell us what -- when you say "fee," what
16 do you mean by that?

17 A. So if you wanted to send \$300 and we charged you
18 \$10, we would pay away a portion of that \$10 to the send
19 agent, and a portion of that \$10 to the receive agent.

20 Q. So that's a fee to your agents?

21 A. That's a commission to the agents and a fee to
22 us.

23 Q. Okay. But I -- I want to focus, though, less on
24 the transactions -- money remittance transactions and the
25 cost of the actual currency transfers that you --

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2 A. Okay. So now, in the -- in the currency, you
3 know, if -- if we -- we take a rate off of a published
4 database, like Bloomberg, and we use that in our system as
5 a base rate, then we calculate a spread based on current
6 market conditions, competitive positions, sometimes the
7 liquidity of that currency, and then we either buy or sell
8 that currency. Let's speak about sends, because that's
9 where the income is.

10 So in a send transaction we tend -- end up
11 having to receive that currency, right? If someone sends
12 money from Australia, they pay the agent \$100 to an
13 Australia agent, that agent owes us Australian dollars, we
14 have to sell that currency, we need to understand what our
15 cost to liquidate that currency is.

16 On a receive country like Mexico, we're
17 buying the peso and then sending those pesos to agents who
18 pay it out. The calculus that we go through is to look at
19 both sides of that transaction and understand what our
20 cost of that currency is, because that would be like a
21 hidden expense, in terms of our -- our ability to do those
22 transactions profitably.

23 What we don't see in our expense is what
24 Wall Street is taking off of the exchange rate. Although
25 everybody knows in markets what those spreads are, they

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2 tend to be somewhere in the neighborhood of a half of a
3 basis point to a basis point, based on the -- the currency
4 that we're talking about. The major G10 currencies
5 usually have a half a basis point to one basis point in
6 trading expenses that Wall Street takes for itself.

7 Q. Okay. So one cost is that half a basis point to
8 a basis point in G10 countries?

9 A. Correct.

10 Q. And what about non-G10 countries, can that cost
11 be much higher?

12 A. Yes.

13 Q. How high can that go?

14 A. In terms of what the trading counterparty is
15 taking?

16 Q. Yes.

17 A. It's unclear. I mean, the -- in certain like
18 thinly traded currencies, every trade can be different.
19 And we just look at it as a spread to the index. We don't
20 know how much they're taking for themselves or how much is
21 just due to liquidity factors in the market.

22 Q. Okay. Can it be as high as 5 or 10 basis
23 points?

24 A. Very rarely.

25 Q. Okay.

1 LAWRENCE ANGELILLI

2 A. Very, very, extremely rarely.

3 Q. So somewhere between one and five basis points,
4 basically?

5 A. And probably much closer to one.

6 Q. Other than that cost, that FX cost, what other
7 cost exists in connection with the transfer of funds
8 between jurisdictions?

9 A. Banking fees.

10 Q. And what -- how are those calculated?

11 A. When a -- I mean, this is a little bit esoteric
12 and not relevant to anything we're doing with Ripple.

13 But in certain currencies, if the Central
14 Bank is the one settling the currencies, they'll take the
15 spread, and we book that as a bank charge.

16 The other piece of this is that sometimes
17 we have to have an armored car pick up cash or sometimes
18 we have -- when our own -- we're sending money to
19 ourselves, when we send money to -- or a trade lands in
20 our bank account in a country, that bank will usually
21 charge us incoming wire transfer charges, you know, things
22 like that.

23 Q. So what do those banking fees end up being?

24 When you think about what that cost is, how
25 do you think about it in your head?

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2 A. That's the value of aggregation, is that if
3 we're taking -- you know, if we're trading \$10 million of
4 foreign exchange in one day and we're not having costs per
5 transaction, it can be de minimus, because we're spreading
6 the cost of those transactions across one large trade.

7 Q. Okay. Is there a crunch per transaction cost in
8 those instances, though?

9 A. No.

10 Q. So I saw in the -- a reference in the
11 declaration.

12 Why don't we look at the declaration at --
13 at paragraph -- just give me one moment.

14 Yeah. Paragraph 40 of the -- actually,
15 hold on.

16 Paragraph 38 -- sorry -- of the declaration
17 talks about how in a traditional foreign exchange trade,
18 MGI enters into a trade -- enters into a trade with a
19 commercial bank to sell fiat currency and purchase a
20 secondary fiat currency.

21 For highly liquid currencies such as the
22 euro, MGI would pay one basis point of the notional amount
23 of the transfer as the foreign exchange spread, to sell
24 one fiat currency and buy the second fiat currency.

25 So let me just stop there.

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2 Is that, essentially, the one basis point
3 that you were just taking about before?

4 A. Yes.

5 Q. Okay. And then the next sentence says, MGI also
6 incurs a flat fee of \$15 to transfer funds cross-border,
7 which does not vary, regardless of the size of the
8 transaction.

9 So is that -- what is that -- is that what
10 you were just talking about?

11 A. That's a wire transfer fee.

12 Q. Okay. And so, do you pay wire transfer fees
13 when you move money between jurisdictions?

14 A. Yes.

15 Q. Okay. So is that another cost of the
16 transaction?

17 A. That would be for the entire trade, yes.

18 Q. Okay. What I -- so those are two costs of each
19 transaction involving -- traditional transactions.

20 What other costs are there in addition to
21 those two costs?

22 There's capital cost we talked about
23 earlier.

24 A. Uh-huh.

25 Q. What other costs are there?

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2 A. If you go to 40. So this outlines the total
3 cost of a foreign exchange trade. But when you -- when we
4 look at our costs, we're looking at the cost of an
5 aggregated -- so if I trade \$5 million, I'm spreading
6 those costs over \$5 million. They're fixed.

7 So on a per-transaction basis, they're de
8 minimis to our calculation.

9 Q. But other than the wire transfer cost and the FX
10 costs that we talked about, are there other costs that are
11 baked into that, even if they're de minimis, as you say?

12 A. Just fixed costs associated with running the
13 company, but not on a per-transaction basis.

14 Q. How about hedging costs; do you hedge foreign
15 currencies?

16 A. No, we don't. The only currency that we
17 actively hedge is the euro. We are -- euro is one of the
18 largest currencies that we have inventory of in the world
19 because the European Union is a send continent. So we're
20 receiving euros constantly. And we hedge that euro
21 position for our own purposes, not to support transaction
22 costs.

23 But typically, we use our foreign exchange
24 as just-in-time inventory, which is why we were interested
25 in -- in the Ripple product.

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2 Q. And just explain that to me. Why -- why does
3 the Ripple product -- why is it beneficial for the
4 just-in-time inventory concept?

5 A. Because the closer that you match the cost of
6 the currency and the price that we quote to the customer,
7 the less basis risk there is in a transaction.

8 Q. You used the term "basis risk." What do you
9 mean by that?

10 A. Basis risk is the amount of risk that you're
11 taking for the volatility between the time of when you
12 lock a rate for a consumer and when that transaction
13 ultimately settles. There is different volatilities for
14 every currency in the world.

15 Q. And so just to make sure I understand this, the
16 time between when the transaction occurs versus when you
17 actually have to fulfill the currency in that transaction,
18 if the FX rate moves during that period of time, that is
19 your basis risk?

20 A. Correct.

21 Q. And real-time settlement, which is the ODL
22 product, the idea behind the ODL product would solve that
23 problem?

24 A. In theory, yes.

25 Q. And how would it solve that problem, just to

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2 make sure we're clear?

3 A. Because if somebody sent money at 11:00 in the
4 morning and the money was received in our Mexican peso
5 account at 11:06, the window for volatility was compressed
6 versus if we were doing a spot trade or even, you
7 know -- so it was -- it was an interesting and important
8 concept that we wanted to explore in this.

9 Q. Okay. Other than the -- and so we talked about
10 hedging -- hedging -- hedging costs. Any other costs that
11 you can think of in connection with those transactions,
12 other than the cost to run the business basically?

13 A. No.

14 Q. Now, I want to go back to the start of the
15 relationship with -- with Ripple. You talked about how
16 you guys had a -- you guys being MoneyGram -- had a
17 lab -- an internal lab that was exploring solutions.

18 Tell us about that internal lab. Is it
19 called an innovation lab?

20 A. Yes.

21 Q. Tell us about the innovation lab.

22 A. We formulated that to put a few dedicated people
23 that would be at the front end of all evolving
24 technologies and financial technology.

25 Q. What types of technology were you looking at in

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2 that lab?

3 A. Obviously, blockchain. And what they look at is
4 essentially everything that is evolving with financial
5 technology through other firms, start-ups. It was really
6 a gamut of anything that involved a remittance, a
7 cross-border transfer, foreign exchange, and even some
8 technologies regarding stored value or any of the
9 innovations that you are reading about with personal
10 financial technology.

11 Q. Other than the Ripple products, the ODL product,
12 that you ended up forming a relationship with Ripple to
13 use, did any other products -- were any other products
14 adopted by MoneyGram from that lab?

15 A. There were some features on our app that
16 were -- that benefitted from that research.

17 Q. How about blockchain-related applications, was
18 anything other than the Ripple ODL something that
19 MoneyGram ended up using?

20 A. When we signed the agreement with Ripple, we
21 also agreed to a -- like a noncompete, which basically
22 ended most of the blockchain research that we had been
23 doing.

24 Q. Was that part of -- was that an amendment that
25 added that exclusivity?

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2 A. No. That -- I believe that was in the
3 first -- first iteration.

4 Q. Okay. Well, we can come back to that.

5 As of today, now that you don't use the ODL
6 product anymore, are there other alternatives on the
7 market?

8 A. There isn't a precise version of what ODL is.
9 There is iterations of it. There's tokens called
10 stablecoins, which have potential implications for
11 MoneyGram. There is other blockchain technology that
12 might be relevant. We haven't had a lot of time to --
13 since the termination of the agreement to really beta-test
14 a lot of the technology, but there are alternatives, not
15 just a perfect alternative.

16 Q. Is it fair to say that there's no other
17 comparable solutions to facilitate cross-border
18 transactions in real time besides the ODL product?

19 A. That is what I said to the "Wall Street
20 Journal." That -- what I was referring to there is that
21 there isn't a brand X that we could just plug and play
22 with -- with what we were doing with Ripple. There isn't
23 like a brand X that does what Ripple does.

24 Q. So ODL is a unique product in that respect?

25 A. Yes.

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2 Q. And that's one of the attractive things of ODL?

3 A. Yes.

4 Q. The -- okay. You have mentioned the pilot that
5 you started -- that you did with the ODL product.

6 The -- let me show you a document relating
7 to that pilot.

8 Did you see any analysis of that pilot
9 program? Did you -- did you actually review any analysis
10 of it?

11 A. Yes, I did.

12 Q. Okay. Let me show you what we'll mark as
13 Exhibit 2.

14 (Exhibit 2 marked.)

15 Q. (BY MR. CERESNEY) And just -- and I will hand
16 this to you.

17 MR. CERESNEY: And just for the record,
18 this is RPLI_SEC 0653097 to 3110, and it's an e-mail from
19 [REDACTED] to a number of MoneyGram employees,
20 including [REDACTED] and [REDACTED].

21 Q. And the e-mail says, Hi, [REDACTED] and [REDACTED],
22 Attached please find the MoneyGram xRapid pilot executive
23 report that we will review on our call today. Please
24 forward to the MoneyGram team.

25 So take a look at that and tell me if you

1 LAWRENCE ANGELILLI

2 recognize this document.

3 A. I remember some of it, but I don't think I was
4 on this distribution.

5 Q. Did you ever see this document at the time?

6 A. I remember seeing this flowchart. I don't --

7 Q. Flowchart being on page -- slide 4. Yeah.

8 What else do you remember seeing?

9 A. I don't specifically recall these pages.

10 Q. Okay. By the way, you mentioned that there
11 was -- you had authorized [REDACTED] as a pilot transaction.
12 Was that the extent of the pilot transactions?

13 A. No. We did two separate pilots. We did that
14 one that I described previously, which was before Ripple
15 even knew about us. And then we did a subsequent pilot of
16 6 transactions that was done, I think, probably in
17 conjunction with what you're looking at.

18 Q. So this is the subsequent pilot?

19 A. Yes.

20 Q. Okay. So this is the second phase of whatever
21 pilots you did.

22 And you mentioned the first -- you have to
23 answer "yes."

24 A. Yes.

25 Q. Yes, okay.

1 LAWRENCE ANGELILLI

2 You mentioned that the first series of
3 pilots was before really there was any real discussion of
4 the ultimate relationship?

5 A. Yes.

6 Q. Okay. So then looking at this one, I want
7 to -- first of all, looking at slide 4, which is, I think,
8 you said you did see, this -- these pilot
9 transactions -- between what jurisdictions did these pilot
10 transactions -- were they done? Through what
11 jurisdictions were they done?

12 A. Can you repeat that question?

13 Q. Which jurisdictions -- what's the corridor that
14 was used for these pilot transactions?

15 A. Mexico.

16 Q. So U.S. to Mexico?

17 A. Correct.

18 Q. Okay. And then did these transactions
19 essentially work -- why don't you just describe how these
20 transactions worked?

21 A. My understanding is that this was the first test
22 of having the integration with Ripple. And this was the
23 beta test of -- and if [REDACTED] was involved, which is
24 who this was generated by, it was in an operational
25 exercise to make sure that the integration worked and

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2 that -- and then we were looking at the effectiveness
3 of -- of our cost per transaction.

4 Q. So you mentioned Yale Vinson. Who is Yale
5 Vinson?

6 A. He was in the lab.

7 Q. Okay. And was he the head of the lab?

8 A. No.

9 Q. What was his role in the lab?

10 A. To be one of the testers of the technologies
11 that were out there.

12 Q. And was that his role throughout this period
13 that you had the relationship with Ripple?

14 A. I -- I'm not real close to what his job
15 description is.

16 Q. Okay. Who day-to-day managed the relationship
17 with Ripple?

18 A. I'm sorry?

19 Q. Who day-to-day at MoneyGram managed the
20 relationship with Ripple?

21 A. It -- it changed over time. Prior to the
22 agreement, there were two simultaneous teams. There was
23 the IT function that was working on the specs that were
24 required to do an integration and you create the bot that
25 was necessary to run these transactions.

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2 The second team was Alex Holmes and myself,
3 and then Kamila Chytil, who was the COO at the time, and
4 ran IT. And we were running point on negotiating the
5 agreements and dealing with more of the management issues
6 on the -- on the agreement.

7 Q. Okay. And [REDACTED], who is she? She's
8 also on this.

9 A. I don't know.

10 Q. Turning to page 6 of this document, I wanted to
11 just walk through some of what this shows. On the
12 left-hand side is dates. Are those the dates of the
13 transactions?

14 A. Yes.

15 Q. And then there's a reference to -- in the next
16 column -- xRapid FX rate, and then the -- under that is
17 spot FX rate. Do you know what those two columns
18 represent?

19 A. Those are the two metrics that we were using.
20 It was the rate that we executed through the xRapid system
21 on the left and the Bloomberg spot rate, which we
22 referenced in our commercial agreement.

23 Q. Okay. And what did that analysis show about the
24 difference between those two rates in these pilot
25 transactions?

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2 A. That it was cost-effective on a currency
3 conversion perspective, but not in all-in cost
4 perspective.

5 Q. Okay. So on a currency perspective, what do you
6 mean by that? Just --

7 A. Just that the average execution on the foreign
8 exchange trades prior to fees was better than the spot
9 rate.

10 Q. And what -- what -- what are the fees that
11 you're referencing here?

12 A. My belief is these are exchange fees, but I was
13 not a party to creating this.

14 Q. Okay. But your understanding with regard to the
15 ODL product was that the two sets of fees were the FX rate
16 and the exchange fees; is that fair?

17 A. Yes.

18 Q. And so this pilot project showed that as to FX,
19 the ODL product performed better than the spot market?

20 A. On these days, yes.

21 Q. But it also showed that there were fees to the
22 exchanges paid as well?

23 A. Yes.

24 Q. And that ultimately, what was the -- what did it
25 show about the ultimate cost of the ODL transactions?

1 LAWRENCE ANGELILLI

2 A. The ultimate cost was that this was not
3 cost-effective.

4 Q. Okay. As currently structured?

5 A. In this test.

6 Q. In this test.

7 Looking at the next page, there are a
8 number of measures here. First one is payment speed, and
9 it talks about a pilot target of 2 minutes, 30 seconds and
10 then an ultimate result of 2 minutes, 37 seconds.

11 What was your understanding as to the speed
12 of the pilot transactions?

13 A. It was excellent.

14 Q. And that was important to MoneyGram in
15 connection with the use of this product?

16 A. Yes.

17 Q. And transparency is the next one. The pilot
18 target was full visibility as to the status of payment,
19 and the pilot result is X.

20 Do you know what that means?

21 A. This was early, and it was hard for us -- we
22 were not receiving information from Ripple that would help
23 us to reconcile our Mexican bank account.

24 Q. Okay. The next line says, Average slippage less
25 than ■ percent and the pilot result shows ■ percent.

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2 What is your understanding as to what
3 slippage is?

4 A. My understanding is those are transactions that
5 didn't -- that weren't fulfilled.

6 Q. Well, the next one says, Payment failure rate.
7 And that says, The target was less than [REDACTED] percent, but the
8 result was [REDACTED] percent.

9 Does that provide you with any -- any
10 insight as to what the word "slippage" means there?

11 A. No.

12 Q. Okay.

13 A. So I would say I'm -- I'm not familiar, then,
14 with what the slippage -- average slippage is.

15 Q. Okay. Fair enough.

16 Now, I want to just go back
17 to -- paragraph 10 of your declaration, if you just go
18 back to that for a moment. That is Exhibit 1.

19 It indicates, In 2018 and early 2019, MGI
20 represented to Ripple, including its senior management,
21 that the pilot test did not produce better economic
22 results for the company than MGI's existing trading
23 practices due to the excessive cost of transacting in XRP.

24 Paragraph 11 then says, In August 2018,
25 Ripple responded to MGI's concerns by suggesting that a

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2 commercial agreement, including an integration of MGI
3 systems with the ODL platform, would solve most of MGI's
4 issues related to XRP trade execution by creating
5 a reli- -- sorry, by creating reliable XRP transaction
6 flows as a result of the proposed agreement. Ripple also
7 claimed that it could develop a network of training
8 counterparties and prioritize certain foreign currency
9 markets over time, thereby ensuring that MGI could execute
10 transactions in the same matter as its existing FX
11 trading.

12 I just want to ask you about this reference
13 to the integration of the MGI system with the ODL
14 platform.

15 What was your understanding about what that
16 involved?

17 A. I was actually in the room at the time of this
18 conversation. And when we discussed the issues in Number
19 10, there was a response that was sort of like, well, of
20 course, because it's not -- it's not integrated with us,
21 we couldn't see these, and that the whole idea here is
22 that we were going to be arranging trading counterparties;
23 that we were going to have market makers on the other
24 side; and that when you give us the opportunity to
25 establish market makers, you're going to see the spreads

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2 come in, and it will solve the problem.

3 Q. And just -- was this a particular meeting that
4 you had with Ripple personnel?

5 A. Yes.

6 Q. And who else was present at that meeting?

7 A. [REDACTED] was really the person that
8 responded to my concern. And, you know, it was sort of
9 matter of fact that that's the reason that we needed a
10 commercial agreement was that we were correct and the
11 commercial agreement would be the solution to the problem.

12 Q. And what was your response to her in that
13 meeting?

14 A. We were interested in pursuing it to see if that
15 was true. But it also inspired me to insert the language
16 into the commercial agreement that we would have a
17 make-whole agreement.

18 Q. Okay. Is it true that over time Ripple did
19 try -- did arrange for an increase in market makers and
20 liquidity in the markets in which the ODL transactions
21 were occurring?

22 A. Yes.

23 Q. And is it also true that over time the
24 integration of the platform improved MoneyGram's
25 performance -- I'm sorry; improved the ODL product's

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2 performance in connection with the MoneyGram transactions?

3 A. In Mexican peso, yes. In euros, yes. In Aussie

4 dollars and in Filipino peso, no.

5 Q. Okay. And is that because those were newer

6 markets that -- where the liquidity wasn't as extensive?

7 A. Australian dollars, yes; Filipino peso, no.

8 Q. What was the issue with the Filipino peso?

9 A. We don't know. We just know that our execution

10 was not favorable.

11 Q. Okay. Were you also aware at the time that the

12 ODL was a new product?

13 A. Yes.

14 Q. And that Ripple was trying to address a number

15 of issues that had arisen because it was a new product?

16 A. Yes.

17 Q. And that -- is it fair to say that Ripple was

18 trying to work overtime to address those issues?

19 MR. MOYE: Objection, foundation.

20 Q. (BY MR. CERESNEY) From your perspective?

21 A. From my perspective, their -- their effort

22 declined over time.

23 Q. Okay. But at least in the initial stages, you

24 believe they were trying to address those issues?

25 A. Yes.

1 LAWRENCE ANGELILLI

2 Q. And did it decline over time because people left
3 that you might have referenced earlier?

4 A. I don't know.

5 Q. Okay. And when you say "declined over time,"
6 you mean the actual performance declined as opposed to the
7 efforts to try to address?

8 A. I was referring to the effort.

9 Q. Okay. And what specifically would you point to
10 along those lines?

11 A. In the initial phases, we gave a list of
12 approximately eight currencies, in addition to the four
13 that we were trading in ,that we thought were very
14 important to the success of the relationship. They were
15 currencies that were important to MoneyGram in terms of
16 our flows, and they were also important to MoneyGram where
17 those were currencies that didn't have established cash
18 markets and where the ODL product would be highly
19 complementary to our funding strategies in those
20 currencies.

21 They took those lists in the beginning.
22 They actually, I believe, added a couple that they were
23 interested in. And then, ultimately, we saw the effort
24 around adding any additional currencies fall almost to
25 zero.

1 LAWRENCE ANGELILLI

2 Q. Was there any discussion as to whether that was
3 because Ripple was trying to address and improve
4 performance in the currency markets in which they were
5 already operating?

6 A. They never explained it.

7 Q. Okay. But you didn't have visibility into why
8 that was?

9 A. I just know that the people that were working on
10 it ultimately resigned, and I don't think they were
11 replaced.

12 Q. Okay. And by the way, you also indicated that
13 over time, I think, following the June 2020 amendment of
14 the -- of the agreement, that your volumes went down
15 pretty significantly?

16 A. At their behest, yes.

17 Q. At Ripple's request?

18 A. Yes.

19 Q. Okay. By the way, were you aware of whether
20 they were other ODL customers as well?

21 A. There are a couple public Web sites that you can
22 go to that show ODL volume, and we started to become aware
23 of those. And we began to realize that when we subtracted
24 our volume from what we could see publicly, that we were
25 in excess of ■ to ■ percent of their total volume on

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2 ODL.

3 Q. And what period of time are you talking about

4 when you --

5 A. That would be.

6 Q. -- made that analysis?

7 A. Starting in the spring of 2020, and through the

8 end of the relationship.

9 Q. And what public sites are you referring to when
10 you say that?

11 A. I don't know the names of them offhand, but they
12 are -- and -- and I didn't have them on my phone, but I
13 was constantly made aware of -- of that stat.

14 Q. And were you aware -- okay, strike that.

15 Now, I want to show you some documents.

16 Let's do this, let's start with --

17 MR. LEWIS: Andrew, maybe before we start
18 this document --

19 MR. CERESNEY: Oh, yeah.

20 MR. LEWIS: -- can we take just like a
21 five-minute --

22 MR. CERESNEY: Yeah. Okay, let's go off
23 the record.

24 THE VIDEOGRAPHER: Off the record at 10:57.

25 (Recess in the proceedings from 10:57 to

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2 11:10 a.m.)

3 THE VIDEOGRAPHER: We're back on record at
4 11:10.

5 Q. (BY MR. CERESNEY) Before I go to the exhibit
6 and focus on some of the public statements that you've
7 made, I just want to ask you a couple of questions about
8 other -- I asked you early on about other money remitters
9 that are out there, smaller ones.

10 Is it fair to say that those money
11 remitters don't have the sophisticated treasury operations
12 that MoneyGram has?

13 MR. MOYE: Objection, foundation,
14 speculation.

15 A. Yeah, hard to say.

16 Q. (BY MR. CERESNEY) Well, you attended industry
17 conferences?

18 A. I would say that foreign exchange is the core
19 competency of MoneyGram.

20 Q. And you guys are much more sophisticated than
21 nearly every money remitter out there; is that fair?

22 A. I would qualify that answer in saying that we're
23 more sophisticated across a broad range of currencies, but
24 within specific markets, we can get outgunned in those
25 foreign exchange markets by locals who are either

1 LAWRENCE ANGELILLI

2 domiciled in those countries or that specialize in maybe
3 one or two currencies.

4 So it's not necessarily true that we're
5 sophisticated across the board against all of our smaller
6 competitors. And, in fact, sometimes they may even have a
7 lower cost structure than we do.

8 Q. Are some of the remitters -- do all money
9 remitters aggregate transactions like MoneyGram does, in
10 terms of transfers across jurisdictions?

11 MR. MOYE: Objection.

12 A. I believe so, yes.

13 Q. (BY MR. CERESNEY) All do?

14 A. I don't think there's technology that would
15 author -- avail them other than that.

16 Q. Does the ODL technology have the potential to
17 allow for remittance-by-remittance type transfers?

18 MR. MOYE: Objection, calls for
19 speculation.

20 A. In its purest form, yes.

21 Q. (BY MR. CERESNEY) And so a money remitter that
22 does a trans -- a remittance-by-remittance transfer
23 through the ODL system, that might be a different cost
24 structure than the cost structure that MoneyGram has?

25 MR. MOYE: Same objection. No foundation.

1 LAWRENCE ANGELILLI

2 A. It would be a higher cost structure than
3 MoneyGram has.

4 Q. (BY MR. CERESNEY) And the ODL product might
5 actually be more efficient for those types of
6 transactions?

7 A. No. And the reason for that is that this gets
8 to trade failures, is that in our business, we really have
9 100 percent -- we don't have a slippage concept. We don't
10 have a -- the ability to clear 99.9 percent of our
11 transactions. We have to have 100 percent. And that's
12 one of the risks that we were cognizant of here, is that
13 if a customer didn't get their money through some fault
14 that's not our own, it's still our problem. And it's a
15 major issue for this industry, not just MoneyGram.

16 Q. So even if you could solve for the failure rate,
17 though, you could do money remittance transactions
18 directly through ODL; that might be more cost-effective
19 than the aggregated transactions?

20 A. I can't -- I can't visualize that, so I can't
21 answer that question.

22 Q. It's possible, though?

23 A. The issue that you're bumping up against here is
24 sort of the concept of wholesale and retail, is that one
25 of the axioms of the foreign exchange markets is that size

1 LAWRENCE ANGELILLI

2 creates cost benefit.

3 So if we were to go out and try to do a
4 series of [REDACTED] transactions, which is our average customer
5 transaction, going out and buying [REDACTED] of a currency
6 typically would cost you a lot more than going out and
7 buying [REDACTED] of a currency.

8 So one of the reasons that this industry
9 has been able to grow is this aggregation concept, in that
10 you're -- you're creating, you know, sort of a tension
11 against a foreign currency market that works opposite.

12 Typically, if you want to buy more of
13 something, you get a discount. I think that that's the
14 way the foreign exchange markets work. So that's why,
15 theoretically, I would suggest that, no, doing a million
16 [REDACTED] transactions would not be cost-beneficial to doing
17 one [REDACTED] transaction.

18 Q. Okay. If you -- though, if you had a smaller
19 number of transactions -- in other words, didn't have the
20 volumes that you're assuming, and you were doing smaller
21 volume transactions -- in theory, the ODL product could be
22 more efficient than the transactional payment rails; is
23 that fair?

24 A. No. Because if you were competing against
25 MoneyGram, our foreign exchange rate would always be

1 LAWRENCE ANGELILLI

2 favorable to where your cost of foreign exchange would be.

3 Q. Okay. But there are ways in which you said

4 local remitters can compete against MoneyGram?

5 A. But they're also aggregating.

6 Q. Okay. Are there disruptors in the money

7 remittance industry?

8 A. There's many people attempting to disrupt the

9 remitter industry.

10 Q. And are some of those disruptors engaging in

11 transactions on a remittance-by-remittance basis as

12 opposed to aggregating?

13 A. The only one that I can think of was a company

14 called [REDACTED], whose average transaction is 10 to 15 times

15 larger than ours. But on all the others, I'm not aware

16 that anybody is.

17 Q. And [REDACTED] is doing it with -- by transaction by

18 transaction?

19 A. I'm not aware of how their back office works,

20 but some of their public statements suggest that is true.

21 I'm not sure.

22 Q. Okay. One other set of questions, then we'll go

23 back.

24 MoneyGram was a big name in the money

25 remittance field. I think we established that, correct?

1 LAWRENCE ANGELILLI

2 A. Yes.

3 Q. Was it -- were you conscious of the fact that
4 for Ripple to have MoneyGram as a customer, it was a
5 positive thing for Ripple?

6 A. Yes.

7 Q. And in fact, from Ripple's perspective, would
8 that have potentially had the impact of providing them
9 with an incentive to provide certain incentives to
10 MoneyGram to become a customer?

11 A. Yes.

12 Q. Is that a phenomenon, of providing those types
13 of incentives to get big headline customers, is that
14 something that you're familiar with in the business world?

15 A. Yes.

16 Q. Can you think of other companies that -- that do
17 that these days?

18 A. You know, in Internet commerce you see it all
19 the time, where people will lead with a low price or even
20 lose money in the initial phases of their growth curve.

21 Q. Was it your understanding that some of the
22 incentives that Ripple was providing to you was because of
23 that dynamic?

24 A. Yes.

25 Q. Okay. Let me show you what has been marked as

1 LAWRENCE ANGELILLI

2 Exhibit 3.

3 (Exhibit 3 marked.)

4 Q. (BY MR. CERESNEY) Which is a -- yeah. Which
5 is a Q&A that's attached to an e-mail.

6 So just for the record, the -- this is
7 MoneyGram SEC 0011478 to 486. And it's an e-mail that has
8 attached to it Q&A that looks to be from June
9 17th -- well, a press release and then a Q&A from June
10 17th, 2019, which I believe was the day that the Ripple
11 agreement was announced?

12 A. Okay.

13 Q. Do you recognize -- I want to direct your
14 attention to the Q&A that's attached to it, which is on
15 page -- 482 is the Bates, and just page 5 of the exhibit.

16 It says at the top, MoneyGram Ripple
17 announce FAQ 6/17/2019.

18 A. Yes.

19 Q. And do you recognize this FAQ?

20 A. Yes.

21 Q. What was the purpose of this FAQ?

22 A. These were talking points to make sure that
23 everybody understood our motives and aspirations for the
24 agreement.

25 Q. And who -- who were these talking points

1 LAWRENCE ANGELILLI

2 designed to be used with?

3 A. We were concerned at the time that a lot of our
4 employees all over the world were going to be getting
5 inquiries. This was a global news story. And rather
6 than -- and we were also expecting that a lot of our large
7 financial institution agents would be asking their --
8 their representatives from MoneyGram about the Ripple
9 arrangement. The banks were -- and regulators were very
10 interested in this at the time.

11 So we put this out to make sure that
12 everybody had a consistent and accurate description of the
13 program.

14 Q. And did you review these at the time?

15 A. I did.

16 Q. Were you satisfied that they were accurate?

17 A. Yes.

18 Q. And sitting here today, do you believe they are
19 accurate?

20 A. Yes.

21 Q. So looking at this page, the Question Number 3
22 says, What are the benefits of this partnership to
23 MoneyGram?

24 And the answer there is: Through our
25 partnership with Ripple, we will have the opportunity to

1 LAWRENCE ANGELILLI

2 significantly enhance our operations, lower our costs of
3 foreign currencies, reducing the foreign exchange risk,
4 and dramatically streamlining our global liquidity
5 management. The on-demand liquidity offered through XRP
6 will further enhance how we complete cross-border
7 payments.

8 So I want to ask you: First of all, is
9 this accurate?

10 A. At the time, yes.

11 Q. And you believed at the time that the ODL
12 product had great promise?

13 A. This was -- this describes our aspirations.

14 Q. Okay. And so I wanted to ask you about a number
15 of the concepts that are in this answer.

16 So one of the concepts is that you'll have
17 the opportunity to significantly enhance our operations.

18 In what way did you think you would have
19 the opportunity through the ODL product to significantly
20 enhance your operations?

21 A. It provided an opportunity through the bot of
22 actually automating our foreign exchange and having the
23 ability to scale and cash markets on an automated basis.

24 Q. Then it says, You'll have the opportunity to
25 lower our costs of foreign currencies.

1 LAWRENCE ANGELILLI

2 What did you understand that to mean?

3 A. Well, under the agreement, because we had a
4 [REDACTED] in the agreement, we knew that it was going to
5 execute at or near the market on a net-net basis. And we
6 had been assured, as we've discussed, that, you know, over
7 time we would probably be able to get execution that was
8 through the -- through the market.

9 Q. And you say -- or then it says you have an
10 opportunity to reduce the foreign exchange risk.

11 What did you mean by that?

12 A. That's the basis risk we discussed earlier.

13 Q. Okay. And that's the risk that the currency can
14 move from the time of the transaction with -- that the --
15 the time between the transfer of the currency and the
16 actual currency reaching the account, basically?

17 A. Yes.

18 Q. And then the last part of that this, it says,
19 And -- and in brackets, dramatically, close brackets,
20 streamlining our global liquidity management.

21 Why did you believe at the time that the
22 ODL product had the potential to dramatically streamline
23 your global liquidity management?

24 A. We basically looked at our major currencies and
25 realized that, you know, a significant majority of our

1 LAWRENCE ANGELILLI

2 trades were conducted in the spot market.

3 So we extrapolated from that and said,
4 well, if we were able to convert our major currencies into
5 the cash market and not use the spot market, or even
6 eliminate the number of forwards that we needed to do
7 around holidays and weekends, that it would have a
8 dramatic impact on our working capital.

9 Q. And just for the purposes to make sure that
10 folks understand, let's just define what we mean by spot
11 market and cash market.

12 So can you sort of give us an explanation
13 of what each of those is.

14 A. Sure. So in the -- in the foreign exchange
15 markets there's three primary short-term purchase options.
16 One is called the today market or the cash market. That
17 is the -- essentially, the disruptive technology that
18 Ripple was offering and saying they were offering a
19 substitute for that same-day trade, where the money, as I
20 described earlier, you get a trade done before noon, and
21 you'll see it in the bank account the same day.

22 Not every country has a liquid currency
23 that can provide a cash market. But, typically, in the
24 G10 there is a cash market for most of those currencies.

25 Then there is the tomorrow market, which is

1 LAWRENCE ANGELILLI

2 T+1 market. It's not as liquid. It's not as frequently
3 used, but it's available in large liquid currencies. And
4 that's just a T+1 market.

5 And then there's the spot market, which is
6 the most commonly used foreign exchange market. And
7 that's the market that rates are based on.

8 So you start with the spot market, and then
9 there's sort of a time value of money calculation that
10 goes with, I'm going to charge you more for T+1 and I'm
11 going to charge you even more for T+2.

12 So spot is -- usually, if you're looking at
13 a screen, spot is going to be the best foreign exchange
14 rate that you will see on the screen.

15 Q. And so the concept here is the ODL product would
16 allow you to use the cash market, which has benefits over
17 the spot market?

18 A. From a working capital and from a basis risk
19 perspective.

20 Q. And that was a positive aspect of -- of the ODL
21 product, as you understood it at the time?

22 A. Yes.

23 Q. Let's turn to page Bates Number 484, which is
24 just two pages later. And I just want to ask you about
25 Question Number 9 there, which says -- the question is:

1 LAWRENCE ANGELILLI

2 Western Union had negative feedback about its trial with
3 Ripple, why will this partnership be different?

4 Okay. Just pause there for just a second.

5 What's your understanding as to what
6 Western Union had said about the -- its trial with Ripple?

7 A. It was our understanding that Ripple had been
8 attempting to do relationships with other remitters. We
9 weren't the only ones. And Western Union, being the
10 largest in the world, was certainly a target of theirs.

11 On an earnings call, where their chairman
12 and CEO was responding to a question about their interest
13 in blockchain and cryptocurrencies, he made a statement
14 that said, Well, we tried out Ripple and it doesn't work.
15 And he made that in a very public forum at the same time
16 that we were actually signing this agreement.

17 Q. And what was your -- what was your view on that
18 feedback at the time?

19 A. Our view was that they did what we did, and came
20 to the same result that we came to, and that it wasn't
21 viable for Western Union, but that we signed a commercial
22 agreement that had indemnifications in it that shielded us
23 from those losses.

24 Q. And so you thought the product had enough
25 potential to justify using it, notwithstanding the fact

1 LAWRENCE ANGELILLI

2 that at the time, the cost structure -- the costs
3 were -- notwithstanding the cost structure at the time?

4 A. I would phrase it differently and say that we
5 were comfortable that we were indemnified from the
6 downside, so we could take that risk and felt comfortable
7 that we were going to be -- it was sort of a no-downside
8 agreement for us.

9 Q. And lots of upside?

10 A. Yes.

11 Q. Okay. And then the answer there is: We cannot
12 speak to Western Union's experience, but what we can tell
13 you is that for the duration of our initial partnership
14 announced in January of 2018, Ripple has been an
15 outstanding partner and has had a positive impact on our
16 business. This is one of the reasons why we have decided
17 to enter into the partnership announced today.

18 What was your understanding at the time,
19 when the answer said Ripple has been an outstanding
20 partner and has had a positive impact on our business,
21 what was your understanding about what was intended there?

22 A. In the initial phases of the relationship, they
23 assigned an entire team of people. And in fact, under the
24 agreement, we even made provisions where they could have
25 up to three offices at MoneyGram's headquarters for their

1 LAWRENCE ANGELILLI

2 employees to work with us on a full-time basis to launch
3 this program.

4 There was a tremendous amount of energy and
5 enthusiasm and analysis of how we conducted our foreign
6 exchange operations. And it was very promising that these
7 were energetic, competent people that were basically
8 coming and spending, from what I could tell, you know,
9 virtually all of their time on the MoneyGram relationship.

10 Q. And did these people seem committed to trying to
11 make the product work?

12 A. Yes.

13 (Exhibit 4 marked.)

14 Q. (BY MR. CERESNEY) Let's take a look at Exhibit
15 4, which is a PowerPoint from MoneyGram's 2019 second
16 quarter results. And I'll turn this to you.

17 And while I do, just can you -- each
18 quarter, does MoneyGram do an earnings call with analysts?

19 A. Yes.

20 Q. What's the purpose of the earnings call?

21 A. Reply to forum for us to --

22 MR. MOYE: Can we just wait until we hand
23 these out? Sorry.

24 MR. CERESNEY: Well, I'm just asking
25 general questions. I'm not asking about the document.

1 LAWRENCE ANGELILLI

2 MR. MOYE: Hard to concentrate on two
3 things at once.

4 A. It's a forum --

5 MR. CERESNEY: Okay, Rob. I'm not going to
6 comment on that, Rob.

7 MR. MOYE: Hard for me, I should say.

8 MR. LEWIS: He's trying to chew gum at the
9 same time, but I'm not sure.

10 MR. CERESNEY: Fair enough. I don't want
11 to -- I don't want to tax you, Rob, okay?

12 Are you okay?

13 MR. MOYE: Yeah.

14 Q. (BY MR. CERESNEY) Just tell us about --

15 A. It's a forum for us and -- and most public
16 companies to provide additional color around the
17 performance of the company, and to answer questions from
18 the key analysts who covered the stock.

19 Q. And in those calls, do you prepare for those
20 calls?

21 A. We do.

22 Q. How do you prepare for those calls?

23 A. We have a series of meetings where we write the
24 press release, and we also create a script to -- to read
25 from for the first part of the call.

1 LAWRENCE ANGELILLI

2 Q. Do you also have a Q&A, in case questions are
3 asked by analysts?

4 A. We do that informally.

5 Q. Okay. Is there a written document that's a Q&A,
6 or is it a -- or --

7 A. No there isn't.

8 Q. -- is it in your head?

9 A. It's in our head.

10 Q. Okay. But you have meetings to discuss what
11 might come up?

12 A. Yes.

13 Q. And you're prepared to address questions that
14 might come up?

15 A. Yes.

16 Q. Are you careful in those calls to be completely
17 accurate about what you say to the analyst?

18 A. We are.

19 Q. And -- and there are consequences if you're not
20 accurate in those calls; is that fair?

21 A. It's all on the record, and yes, there are
22 consequences.

23 Q. And in fact, some of the consequences could
24 include civil lawsuits, SEC investigations and other types
25 of consequences; is that fair?

1 LAWRENCE ANGELILLI

2 A. Yes.

3 Q. And by the way, there has been a class action
4 lawsuit filed against MoneyGram relating to statements
5 that you made -- you and the CEO made on earnings calls;
6 hasn't there been?

7 A. That was dismissed, I think, on Friday.

8 Q. Okay. Congratulations.

9 A. Thank you.

10 Q. Was that on a motion to dismiss it was
11 dismissed?

12 A. It was extremely -- I think they withdrew it
13 themselves, if I am correct.

14 Q. Did that allege misstatements on these calls?

15 A. It -- it did allege them, but I'm not sure which
16 statements they were alleging.

17 Q. Okay. Bottom line, though, you didn't believe
18 there was any merit to that suit?

19 A. Correct.

20 Q. Yeah, okay.

21 So I want to just focus, then, on
22 this -- oh, for every earnings call, is there also a dec
23 that is used?

24 A. Yes.

25 Q. And how is that dec used?

1 LAWRENCE ANGELILLI

2 A. It is timed to go with the part of the script
3 where we're describing what is on this line.

4 Q. Was this the first earnings call after the
5 Ripple agreement had been signed?

6 A. Yes.

7 Q. And also, would it be fair to say that you made
8 sure that the dec was accurate as well?

9 A. Yes.

10 Q. I want to turn to slide 7 of this slide dec.
11 There is no Bates number on this, but slide 7 -- slide 7
12 of the slide dec talks about strategic partnership with
13 Ripple.

14 Do you see that?

15 A. Yes.

16 Q. On the left-hand side of the slide, it says, The
17 partnership enables us to more closely align funding costs
18 to daily transactions, which will help streamline our
19 global liquidity management.

20 We talked about the streamlining of global
21 liquidity management. I assume that's the same point that
22 you referenced a moment ago?

23 A. Yes.

24 Q. On the closely aligned funding costs to daily
25 transactions, what did that mean?

1 LAWRENCE ANGELILLI

2 A. That is the basis risk I was describing.

3 Q. Okay. So when you say, "the partnership enables
4 us to do that," you understood at the time that the
5 partnership, the ODL product, was going to enable you to
6 do those things, basically?

7 A. And then I think, you know, in my review of this
8 slide, the word "enable" was important. That this was an
9 enabler, that it wasn't yet. But, yes, that's true.

10 Q. So enable means over time?

11 A. Yes.

12 Q. Okay. And then on the right-hand side, you
13 say -- it says -- not you say, it says, Reduces operating
14 costs and working capital needs, to improve earnings and
15 free cash flow.

16 What did that mean?

17 A. So the reducing operating costs of foreign
18 exchange costs actually run through our operating expense
19 line. So to put the right with the left in the sense that
20 there was a reduction in basis risk, it also could improve
21 our -- our cost of -- of foreign exchange. And also,
22 the -- we knew at the time that the commercial agreement,
23 the incentives would be a material improvement of our
24 earnings to cash flow.

25 Q. And this reference here to working capital, is

1 LAWRENCE ANGELILLI

2 that a reference to what we talked about earlier, which is
3 the potential to reduce your capital costs?

4 A. Yes.

5 Q. Okay. So at the time, you believed that the ODL
6 product had the potential to do all of these things that
7 are in this slide?

8 A. Yes.

9 Q. Okay. Let's look at Exhibit 5.

10 MR. CERESNEY: 5?

11 Yeah.

12 (Exhibit 5 marked.)

13 Q. (BY MR. CERESNEY) Exhibit 5. And this is
14 going to be the earnings call transcript for this earnings
15 call.

16 And just in terms before we get to the
17 exhibit, in terms of how the earnings call worked, I take
18 it the CEO would make his -- his comments, and then you
19 would make comments as well?

20 A. Correct.

21 Q. And, generally, how did you divide up what the
22 CEO, Alex Holmes, covered versus what you covered?

23 A. In general, it could vary, but generally, the
24 CEO discusses the strategic and, you know, business issues
25 of the quarter. And I take everybody through the numbers.

1 LAWRENCE ANGELILLI

2 Q. Okay. And then in terms of the questions, how
3 do you decide who handles which question?

4 A. Typically, if it's a question regarding -- well,
5 many times the analyst will direct their questions either
6 to myself or to Alex. If the -- if the question isn't
7 directed to me or him, we typically answer them if it's a
8 balance sheet or credit-related question, I will take it,
9 and if it's a business performance issue or strategic
10 issue, he would take it.

11 Q. Okay. We've been talking a lot today about some
12 of the benefits of the ODL product and the like.

13 Would it -- would it be fair to say that
14 Alex Holmes, CEO, shared your views at the time on the ODL
15 product?

16 A. Yeah.

17 Q. Okay. In other words, there was no daylight
18 between your views and his views on these issues?

19 A. No.

20 Q. Okay. Looking at page 3 of the transcript, does
21 this appear to be a -- a transcript of the earnings call?

22 A. Yes.

23 Q. And it's put out by Thomson Reuters. Do they
24 provide accurate transcripts of earnings calls?

25 A. With my experience, yes.

1 LAWRENCE ANGELILLI

2 Q. Okay. So on page 3, I want to look at the one,
3 two, three, fourth full paragraph there. Starting with
4 "As you know."

5 And this is in Mr. Holmes' comments. He
6 says, As you know, with our partnership, Ripple has become
7 our key partner for cross-border settlement using digital
8 assets. And I am so excited to announce today that
9 MoneyGram is now live and transacting on the MoneyGram --
10 I'm sorry; on the Ripple xRapid platform.

11 First of all, would you agree with his
12 characterization as Ripple at the time as a key partner?

13 A. Yes.

14 Q. And then he says, We started executing trades
15 earlier this week. And all signs point to this being a
16 tremendously beneficial relationship for all parties
17 involved.

18 Would you agree with that characterization
19 at the time?

20 A. Yes.

21 Q. And, in fact, were you -- you were generally
22 excited by the prospects?

23 A. Yes.

24 Q. And then you said -- and then he said, We are
25 literally settling currencies in seconds, and to quote my

1 LAWRENCE ANGELILLI

2 friend Larry, -- that is you, right?

3 A. Yes.

4 Q. -- This is really cool.

5 A. Yes.

6 Q. Did you actually say that to Mr. Holmes?

7 A. I did.

8 Q. What did you mean when you said that?

9 A. When we started executing officially, I pressed
10 the button, so to speak, on the very first Ripple
11 transaction. And we had our screens up. And I could see
12 the money actually go into our Mexican peso account
13 5 minutes after we executed the trade. And I said at the
14 time, Wow, that is real cool.

15 Q. Okay. It's like pushing the button at the New
16 York Stock Exchange, yeah.

17 A. It's sort of similar, yeah.

18 Q. And then the next paragraph says, One of the
19 core strengths of MoneyGram is our global liquidity and
20 settlement engine that enables millions of customers to
21 move billions of dollars across 200 countries and
22 territories using 120 currencies. We believe our
23 settlement engine is a key asset with additional
24 applications in use cases that could lead to new revenue
25 streams down the road.

1 LAWRENCE ANGELILLI

2 Let me stop there.

3 He says, We believe our settlement engine
4 is a key asset with additional applications in use cases.

5 What did he mean by that as far as you
6 understood?

7 A. There's only two companies in the world that can
8 settle across 200 countries, and it's Western Union and
9 MoneyGram. So it is a unique platform. It's also one of
10 only two settlement engines in the world where we settle
11 with a country. In other words, you send money to a
12 country. You send money to Mexico. You don't send money
13 to an agent location.

14 Both are unique, and both had been deemed
15 extremely valuable intrinsically to the company.

16 Q. Just one question about that. You said that you
17 and Western Union are one of the only two that send money
18 to the country as opposed to the agent; is that what
19 you said?

20 A. Yes.

21 Q. So other money remitters -- we were talking
22 earlier about how other money remitters do transactions,
23 and you talked about aggregation. Was the aggregation you
24 were referencing there aggregation by agent as opposed to
25 by country?

1 LAWRENCE ANGELILLI

2 A. No. By aggregation, I was referring to just
3 lumping all of the transactions together to get money to
4 that country. But the difference is, is that if you're
5 using somebody other than Western Union or MoneyGram, the
6 customer goes in and says, I want to send money to Mexico,
7 and the teller will say, Well, which location do you want
8 to send it to? And they say, Oh, I want it to be picked
9 up at the corner of 5th and Main. If the recipient goes
10 to the same agent -- I mean, the same remitter, but at
11 10th and Main, the money won't be there. They have to go
12 to 5th and Main.

13 In our case, anybody who has the MoneyGram
14 flag would pay out that transaction.

15 Q. I gotcha. Okay. So that is not about how the
16 money is moved; it's about where the customer can get
17 that?

18 A. It's a customer experience issue.

19 Q. Gotcha. Okay.

20 So when it says here, Our settlement
21 engine, you're talking about the payout to the
22 customer there -- or I'm sorry; Mr. Holmes is talking
23 about the payout to the customer?

24 A. It's -- no. Our settlement engine actually now
25 has those agents where we can settle with them in these

1 LAWRENCE ANGELILLI

2 very tight window tolerances when we don't know in advance
3 where -- whether they're going to pay out or not.

4 So, you know, you think about it from a
5 day-to-day activity. If I know that \$1,000 is going to be
6 paid out at the corner of 5th and Main, I can stage that,
7 and I know where it's going to go.

8 In MoneyGram's case, we don't have any idea
9 of who is going to pay out on a transaction. So our
10 settlement engine has greater flexibility and settlement
11 capabilities to be able to handle what, really until it
12 happens, we're not aware of which agents are going to
13 require a settlement.

14 Q. Gotcha. Okay.

15 And what revenue streams was he referring
16 to here? What potential revenue streams was he referring
17 to here?

18 A. Well, when you look at blockchain technology and
19 when you look at the ability to be 100 percent in the cash
20 market and when you look at the technology of actually
21 being able to do real time money transfers, where the
22 actual settlement of money coincides with the actual
23 transaction, which is not what we were using ODL for, but
24 it -- you know, it had promise in that regard. There are
25 other personal financial transactions that are possible if

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2 you can get that technology to work right.

3 Q. So the ODL product had other potential uses
4 besides the one that you were using it for at that time?

5 A. Yes.

6 Q. And that was exciting to you?

7 A. Yes.

8 Q. Okay. Let's turn to page 7 of the earnings
9 call. And I want to focus on the question from the
10 Barclay's analysts. He says -- he asks, And then I wanted
11 to ask on the Ripple partnership, I don't know, can you
12 maybe help us get a sense how much of the cost base you
13 think you could save? Or I mean, clearly there is -- I
14 mean, you guys communicated. There is some cost benefit,
15 but just trying to look -- trying to looking through the
16 income statement, help us understand a little bit where
17 and when we might expect to see that starting to come
18 through.

19 And then Mr. Holmes responds -- he starts
20 to respond, And I mean, I guess, fundamentally right. I
21 love to say there really is no way to instantly move money
22 anywhere around the world, right? We run a giant net
23 settlement engine, and I think we do it better than
24 anybody. That's kind of how you get money from Point A to
25 Point B these days. And I think you have two ways of

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2 doing that. You have kind of the consumer side of it.

3 Then you have your back-end settlement and trading

4 processes. And we know what this product has the

5 capability to do is actually completely streamline and

6 transform our back-end capabilities and for the first

7 time, I think ever really, actually enable money to move

8 instantly or as close to instantly -- to instant as

9 humanly possibly.

10 So, first all, what did -- what was your

11 understanding about what Mr. Holmes meant in that comment

12 there?

13 A. He was describing what we've been discussing and

14 that this was the first time we actually saw the

15 capability for a real-time moving of money across border.

16 Q. And you agreed with his sentiment here?

17 A. Yes.

18 Q. And the next paragraph says, So if you think

19 about hundreds of millions of dollars circling the world

20 every day waiting to be settled and sort of what we call

21 money trapped in transit, the ability to streamline that

22 can drive a ton of efficiency.

23 What did you understand him to mean there?

24 A. He's referring to the working capital impact.

25 THE REPORTER: Working capital what?

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2 THE WITNESS: Impact.

3 Q. (BY MR. CERESNEY) So in other words, this
4 could have the impact of allowing you to reduce your
5 working capital?

6 A. Correct.

7 Q. Which could have benefits financially?

8 A. Correct.

9 Q. Next paragraph, you jump in. And I want to move
10 to, I think, the third sentence of what you say, We did --
11 or fourth -- we did move money to Mexico in a minute, 13
12 seconds.

13 Was that something that actually happened?

14 A. That was when I said it was really cool.

15 Q. Okay. And that is much quicker than any other
16 money movements you have had ever?

17 A. The fastest I had ever seen, yes.

18 Q. And then you say, But it's -- I think we're
19 really -- we're really -- we're going to ramp. We're not
20 going to be maxing out or stressing their system. And so
21 it would build gradually.

22 What did you mean by that?

23 A. We had an agreement with Ripple at the time
24 where we would meet weekly, and they would dictate how
25 much more we could trade on their platform. And it

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2 started out where we would increase approximately
3 15 percent per week in Mexican peso, but they had a
4 governor on it because, as we discussed previously, they
5 were also lining up their market makers or trading
6 counterparties. And we didn't want to be in a system
7 where we stressed that system. And so we worked in
8 concert with them to gradually increase the amount of
9 trading we were doing to make sure that it didn't create
10 any more inefficiencies.

11 Q. Fair to say this was a -- a new product that you
12 were trying to work out the kinks with?

13 A. And it was what we were receiving incentives to
14 do.

15 Q. Right. Okay. And then let's look at page 14.
16 There is a question from the [REDACTED] analyst. He says,
17 You did mention speed as an advantage. How about other
18 benchmarking around it, I mean, costs and anything else
19 that you can just share, at least relative to expectations
20 or relative to benchmarks, just so we better understand
21 the potential behind it.

22 Mr. Holmes responds, I think what I would
23 say is the following, right, is that all of this, I mean,
24 it's not new for Ripple, but it's new for a lot of us in
25 terms of exploration of how we do this, right. And when

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2 you think about traditional settlement and traditional
3 foreign exchange markets, right, it's a lot of banking
4 applications, a lot of platform, and sort of a lot of
5 internal management to have an integrated product into
6 their platform. We built kind of our own unique interface
7 with them that I think the team internally has done an
8 amazing job.

9 Just let me stop there.

10 What unique interface is he referring to
11 here?

12 A. That was the integration and the creation of a
13 bot that would trade directly into their platform.

14 Q. Okay. And then if we -- if we go down to
15 the -- to the brackets below or to the -- below the line
16 where Mr. Holmes picks up.

17 If you can see where he says, The Mexican
18 peso is inherently volatile and is moving around all of
19 the time.

20 Do you see that?

21 A. Yes.

22 Q. And then he says, If you can actually time the
23 cash flows and settlement flows with what is happening on
24 a per-transaction basis with the customer, it's pretty
25 remarkable what you can start thinking about and doing

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2 with that type of technology.

3 What did you understand him to mean there?

4 A. So at the time, the Mexican peso market was a
5 market that we used the cash market the most frequently in
6 primarily because we're in the same time zone. So when we
7 looked at the Ripple technology, what we thought was that
8 we could do a series of multiple tranches of trades during
9 the day that would more closely align our volume with
10 movements in the currency because the peso can be
11 volatile. So even though it wasn't matching on a
12 one-for-one basis, our ability to essentially dollar-cost
13 average through the course of the day was interesting to
14 us, and it was a substitute for what we were currently
15 doing, which was doing large block cash trades as a
16 substitute.

17 Q. So just so I understand that, so doing a number
18 of smaller transactions throughout the day, which would
19 allow you to dollar-cost average the cost of those, could
20 be actually as beneficial as doing one transaction that
21 has efficiencies because it's a large transaction?

22 A. Theoretically, yes.

23 Q. And that was something you thought was possible
24 at the time?

25 A. Yes.

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2 Q. And that made up for some of the limitations on
3 volume that the ODL product had at the time?

4 A. Yes.

5 (Exhibit 6 marked.)

6 Q. (BY MR. CERESNEY) Okay. Okay. Let's go to
7 the next document, which is the November 1st, 2019,
8 earnings call transcript. This is the next earnings call.
9 We're not going to do every quarter, I promise, but we're
10 going to do a number.

11 You're so eloquent.

12 A. This was a popular topic.

13 Q. Actually, let me ask you -- ask you about that.
14 This was something that analysts asked about pretty
15 frequently; is that fair?

16 A. Yes.

17 Q. And why did you think the analysts were so
18 focused on this?

19 A. They were looking for a financial impact from
20 this.

21 Q. Did they also -- were they also attracted by the
22 other opportunities from this technology?

23 A. It's difficult for me to ascertain other than
24 they tend to be very shortsighted. Buy-side -- I mean,
25 sell-side analysts tend to be more of a quarter to

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2 quarter. And so they were interested in the financial
3 ramifications of Ripple rather than some long-term
4 strategic benefit.

5 Q. Okay. So is this the earnings transcript
6 from -- the earnings call transcript from November 1st,
7 2019?

8 A. Okay.

9 Q. And this appears to be also a [REDACTED]
10 product; is that correct?

11 A. Yes.

12 Q. So let's look at page 6 of the transcript. And
13 this is in the portion of your comments at the beginning
14 of the call. You say in the third full paragraph, Ever
15 since we announced Ripple investment into MoneyGram, we've
16 had many questions about the impact of its partnership
17 both from a financial and operational perspective. I
18 would like to take this opportunity to describe how we are
19 using the blockchain and its benefit to MoneyGram.

20 The Ripple blockchain enables MoneyGram to
21 achieve what we are calling real-time settlement.
22 Currently, MoneyGram is using Ripple to facilitate what
23 our almost instant foreign exchange trades.

24 And what did you mean by that at the time?

25 A. That we were using it as a cash market

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2 alternative, and we were seeing money within 5 minutes.

3 Q. And that was a positive thing from your
4 perspective?

5 A. Yes.

6 Q. The next paragraph says, In Mexican peso, for
7 example, we purchased the cryptocurrency XRP on a U.S.
8 exchange, transfer it to an exchange in Mexico, and sell
9 the XRP on the exchange in Mexico for pesos all within
10 about 60 seconds. Essentially, we're using cryptocurrency
11 as a unit of measure through the Ripple blockchain.

12 What do you mean by "using cryptocurrency
13 as a unit of measure"?

14 A. One of the concerns among regulators, banks and
15 the market in general was the volatility of the token.
16 And what I was attempting to describe here is that there
17 was a period of time between where we had to buy crypto
18 and sell crypto, that that window was so short, that it
19 was really serving as a mechanism to transfer from one
20 exchange to the other rather than posing a volatility risk
21 to the company.

22 Q. Fair to say it was functioning as a currency at
23 the time?

24 A. No. In fact, I was saying it wasn't functioning
25 as a currency. I was -- it was functioning as a unit of

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2 measure, like a digital unit of measure that wasn't a
3 currency. And that's why we weren't as concerned about
4 the volatility, as it was really just a digital mechanism
5 to facilitate a transfer from one exchange to the other.

6 Q. So it had utility as a digital transfer
7 mechanism?

8 A. Yes.

9 Q. And, in fact, this was part of a currency
10 transaction?

11 MR. MOYE: Objection, leading, calls for a
12 legal conclusion.

13 Q. (BY MR. CERESNEY) You can answer.

14 A. It was part of a foreign exchange transaction.

15 Q. Okay. Looking at the next paragraph -- or
16 actually, I'm sorry. You then go on to say, This means
17 that we can reduce our inventory of pesos and reduce our
18 exposure to volatility during the shortened time that we
19 need to hold them.

20 I assume that is what you just explained?

21 A. Correct.

22 Q. And then, This is just like
23 just-in-time-inventory for our currency position, reducing
24 our working capital needs, as well as matching the timing
25 of our sends and the settlement with our agents.

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2 What did you mean just-in-time inventory?

3 A. That was the elimination of our shortening the
4 time from basis risk, that we were buying the currency at
5 the time that we needed it rather than on a T+2 sell.

6 Q. And the next thing you say, The majority of
7 these benefits will come with scale in the future.

8 One question on that. You say "the
9 majority of the benefits." There were certain benefits
10 that were happening at that time; is that fair?

11 A. It was early days, so I -- I don't think we were
12 really getting any benefit at this time.

13 Q. Well, you said "majority of benefits" though?

14 A. I don't -- I don't -- I don't know that I read
15 that much into that word.

16 Q. Okay. Well, you just -- you had described
17 earlier in the paragraph other benefits from the --

18 A. I mean, the benefit of being in the cash market
19 was the principal benefit at that time regardless. And we
20 were -- we were actually making money doing it because of
21 the make-whole and the incentives. So that was a huge
22 benefit.

23 Q. Right. And you talk about scale here, though.

24 What -- at the time, you thought that the ODL product had
25 the potential to scale to provide those benefits; is that

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2 fair?

3 A. Correct.

4 Q. And the next paragraph says, In addition to
5 those benefits, we are compensated for developing and
6 bringing liquidity to these markets as well as providing a
7 reliable level of foreign trading on a daily basis.

8 There you're talking about the incentives?

9 A. Correct.

10 Q. You say, Today, we're driving about 10 percent
11 of our daily Mexican peso volume through this technology.

12 Is that the level of trading at that time?

13 A. Yes.

14 Q. And so that ends up being, I think you said
15 earlier, it's about [REDACTED] a day of volume going from
16 U.S. to Mexico; is that fair?

17 A. Correct.

18 Q. So it was about a [REDACTED] dollars a day of ODL
19 product trading?

20 A. Yes.

21 Q. Towards the end of that paragraph, you say, On
22 top of that, we believe we can develop new digital
23 products that would benefit from real-time settlement as
24 XRP markets become more established and more liquid.

25 What did you mean by that?

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2 A. One example that we were thinking about is we
3 were in the bill payment business. And a lot of those
4 payments are time-sensitive, and they also -- they're very
5 time-sensitive. And the ability to use a product like
6 this to facilitate a real-time transfer for the payment of
7 a bill or invoice and apply it to, for example, a
8 cross-border transaction was alluring at the time. And
9 it's not a -- and we don't do cross-border bill pay today,
10 and we never have. So this was sort of a -- from a
11 laboratory perspective or from an R&D perspective, an
12 interesting option.

13 Q. So the ODL product and the use of XRP more
14 generally had the potential to be expanded to other uses?

15 A. Correct.

16 Q. Let me look at the next page. Just look at
17 Mr. Holmes' comment. I think it's the third comment down
18 on the page.

19 He says in the middle of that paragraph, We
20 prepositioned cash all around the world. And so the more
21 real time we can make that, the more efficient we'll
22 become, and the better revenue opportunities there are.

23 I think right now we're using the on-demand
24 liquidity platform, but there are opportunities through
25 RippleNet to begin to move money directly into accounts

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2 with other partners inside of Ripple.

3 What did you understand him to mean there;

4 what he was talking about?

5 A. Ripple was developing a -- an alternate
6 technology called RippleNet, that was not ODL and didn't
7 involve foreign exchange trades. It was a blockchain
8 technology that they were developing and wanted us to
9 assist with them on that, too.

10 Q. Now, was that something that you discussed with
11 them using?

12 A. Not me personally.

13 THE REPORTER: Not?

14 THE WITNESS: Not me personally.

15 Q. (BY MR. CERESNEY) But folks at MoneyGram did
16 discuss that with them?

17 A. Yes.

18 Q. And did you ultimately end up using RippleNet?

19 A. It was also -- it didn't function
20 satisfactorily, and I don't we believe we ever got beyond
21 the pilot stage.

22 Q. Okay. Then let's just look at page 12 briefly.

23 You answer a question about the ODL
24 product. And you say in your answer -- you reference
25 basis risk. And you say, We have to settle with our

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2 agents generally within hours. And we have a position in
3 Mexican peso that could reprice on a real-time basis.

4 So when you think about that, and you think
5 about all of the currencies that we have exposure to,
6 eliminating basis risk, it doesn't show up in your P&L,
7 what you have is a mismatch that impacts margins, but
8 without really on a line item.

9 What did you mean by that?

10 A. We don't record a -- an expense in our P&L that
11 you can look at and say, Oh, that was your mismatch, you
12 priced your transaction here and you executed there. And
13 so it's impossible to break it out so no one can find out
14 what it really is.

15 Q. So some of the benefits that might flow from ODL
16 you couldn't necessarily point to a place on the
17 balance -- on the balance sheet or income statement that
18 might show that benefit, but it still would exist?

19 A. Yes.

20 Q. And then the next thing you say is, And then the
21 other thing that doesn't show up specifically is the
22 amount of capital that is required to essentially prefund
23 all of our foreign exchange markets all over the world.
24 And that's the point we're making about the future state
25 requiring scale.

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2 So is that what we were talking about
3 earlier, vis-?-vis the prefunding requirements in a number
4 of jurisdictions?

5 A. Yes. The thought at the time was if we had
6 multiple currencies all over the world, you could magnify
7 the impact; it would have a material impact on our balance
8 sheet size.

9 Q. And then the next sentence, And I don't think in
10 one quarter doing 10 percent of our Mexican peso volume
11 through this product. It didn't really materially change
12 the amount of working capital that we needed. It didn't
13 materially change the basis risk that we experienced on
14 Mexican peso. But you could think about it in the future
15 state where when does this become a meaningful part of our
16 currency pairs? And when you're taking the time -- that
17 timing and matching it to the settlement of the
18 transaction, and then actually designing products that
19 could benefit from that, that's where we think it does
20 start to resonate.

21 So what did you mean by that?

22 A. I was really describing what scale means; that
23 whether we did 10 percent or 100 percent of Mexican peso
24 or even 10 percent or 20 percent or -- of a basket of
25 currencies, that the real benefits from ODL would not be

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2 material in terms of reducing the size of our balance
3 sheet until it was broadly spread around the company and
4 had a material impact on how we traded currency.

5 Q. And as of November 1st, 2019, you still thought
6 that was possible?

7 A. Yes. At that time we were still meeting
8 regularly with them, attempting to expand the number of
9 currencies that we would include.

10 Q. And then later on down the page, Mr. Holmes
11 adds, in response to the same question, And I think the
12 company that can take advantage of that and monetize it is
13 going to do exceedingly well. And that's what we're
14 running hard against and hard at, because I think that's
15 an awesome opportunity, to just fundamentally rethink how
16 money really moves around the world and how you actually
17 offer and provide service and value to customers.

18 That -- fair to say that this idea behind
19 the ODL product was an innovative idea that had potential?

20 A. Yes.

21 Q. And that's basically what Mr. Holmes is saying
22 here?

23 A. Yes.

24 Q. Let's look at a -- at -- what are we on, Exhibit
25 6? Exhibit 7.

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2 (Exhibit 7 marked.)

3 Q. (BY MR. CERESNEY) I'm going to show you a
4 transcript of an interview on CNN with Mr. Holmes dated
5 December 17th, 2019.

6 Do you have any recollection of Mr. Holmes
7 being on CNN around that time?

8 A. Yes.

9 Q. Did you watch that interview?

10 A. After the fact.

11 Q. Okay. And do you remember he was asked about
12 Ripple in that interview?

13 A. Yes.

14 Q. Looking at this transcript, I want to direct
15 your attention to page 5. He says, So -- line 19.

16 So what's interesting about Ripple and
17 what's happening in the blockchain and crypto space is for
18 the first time there is a technology available that has
19 the potential to truly transform that capability and
20 actually move money with data, which, to me, is just kind
21 of magical in lots of ways.

22 Did you agree with Mr. Holmes that it was,
23 in many ways, magical, the way that this product was
24 working?

25 A. When we saw money move in a minute or two, we

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2 thought that was -- magical is not my word, but we were
3 impressed.

4 Q. And then on the next page, he says in response
5 to a question -- the question is: You chose Ripple
6 because you think right now have the best platform to do
7 this most efficiently? And Mr. Holmes says, I think they
8 not only have the best platform to do it efficiently, but
9 they also have the vision that I think encapsulates what
10 we're trying to do, as well, right? How would you drive
11 down costs? How do you improve throughput? How do you
12 drive efficiency and provide a better service not only for
13 our customers, but also for the future and potential
14 customers that are coming? And so I think Ripple and its
15 cryptocurrency XRP is really innovative in that sense.

16 Do you agree with his comments here about
17 the ODL product and Ripple?

18 A. I think they're general in nature and I don't
19 think there's -- it's an aspirational comment, and I guess
20 I would agree with that aspiration.

21 Q. And that was your view at the time?

22 A. Yes.

23 Q. And then let's look at the next page, page 8.

24 Mr. Holmes says, So if you're able -- and line 20.

25 So if you're able to take that \$300 that

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2 the consumer wants to send and actually settle it
3 instantly, real-time, and give the same rate to MoneyGram
4 that you're giving to the customer, it's actually a very
5 interesting opportunity to streamline and take costs out.

6 What did you understand Mr. Holmes to be
7 referring to here?

8 A. What page are you on? I'm sorry.

9 Q. I'm sorry, page 8, line 20?

10 A. I'm sorry.

11 Q. Yeah, it's okay.

12 So I read from line 20 to page 9, line 1.

13 So just read that to yourself and tell me what you
14 understand Mr. Holmes to be referring to there?

15 A. So you -- could you repeat the question.

16 Q. Yeah. I just asked what was Mr. Holmes
17 referring to here?

18 A. So his term there was is that technology had the
19 potential to -- for us to price the transaction at the
20 same time that we executed on an ODL transaction, and
21 match them off, perfectly and completely eliminate basis
22 risk.

23 Q. And that was something the product had the
24 potential to do?

25 A. Correct.

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2 Q. Okay. Let me look at -- I'm going to show you
3 Exhibit 8, I think it is. Is that right?

4 (Exhibit 8 marked.)

5 Q. (BY MR. CERESNEY) Exhibit 8, which is the
6 February 25th, 2020, earnings call. Just look at this
7 briefly.

8 MR. LEWIS: He did say he wasn't going to
9 go through all of them.

10 MR. CERESNEY: This is the last one. This
11 is the last one.

12 Q. (BY MR. CERESNEY) And first I want to just
13 direct your attention to page 5 of the transcript.

14 And these are comments that Mr. Holmes
15 makes in the fifth full paragraph there. He says, I
16 couldn't be more pleased with the partnership and the
17 success we've had with Ripple. Today our trading volume
18 continues to grow, and we're partnering to expand the
19 service to more corridors. I'm also excited to announce
20 that we're working to integrate RippleNet for our
21 account-to-account transfers in 2020.

22 So, first sentence, did you agree with
23 Mr. Holmes at the time that you were pleased with the
24 partnership and the success that you had at that point?

25 A. Yes.

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2 Q. And was the ODL product at that point continuing
3 to expand to more corridors?

4 A. Yes.

5 Q. And was that -- did you view that as a positive,
6 growing aspect of the product?

7 A. Yes.

8 Q. And then the second sentence he talks about
9 integrating RippleNet for our account-to-account
10 transfers.

11 Is that -- what was that a reference to?

12 A. I wasn't a party to that technology. That was
13 outside of my scope. I knew that we had our IT department
14 and operations department trying to implement and
15 integrate that product.

16 Q. Okay. Do you know if that ever was successful?

17 A. It was not successful.

18 Q. Okay. And I think we talked about it earlier.

19 Your under -- do you have an understanding
20 as to why it was not successful?

21 A. We didn't find that it added any functionality
22 to the company beyond what we were already able to do.

23 Q. Okay. Do you have any sense -- you didn't have
24 familiarity, though, with the details of the product
25 during this --

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2 A. Correct.

3 Q. Okay. And then let's just look briefly at page
4 11.

5 Somebody from -- an analyst from Northland
6 Capital Markets asked the question: And are you adding a
7 couple of corridors, a dozen or so corridors? How do we
8 think through that?

9 And you say, We do it kind of one at a
10 time. It really -- what we're doing is creating markets
11 from -- almost from scratch. And so they start out really
12 small. So, for example, we're doing Aussie dollars now.
13 We're doing Filipino peso now. We can cross some of those
14 hits. And so those markets have to evolve and develop,
15 especially what we're getting paid for. They start out
16 really small, and then as markets become deeper and more
17 liquid, then we put more volume through, and then as we
18 get those stabilized, we start the new ones.

19 So first question is: At this time did it
20 appear like you were making progress and adding corridors
21 to the ODL product?

22 A. Yes.

23 Q. And are you saying here -- what were you saying
24 here in terms of the need to develop liquidity in new
25 markets as you expand the product to those markets?

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2 A. A feature of our commercial agreement with them
3 is it established a target pool of compensation for us of
4 \$ [REDACTED] million.

5 We earned that incentive as basis points
6 times the amount of volume that we put through. So from
7 our planning perspective and from our excitement around
8 the product, increasing -- we were incentivized to assist
9 them in increasing the flow and the number of currencies.

10 And at this time we saw significant growth
11 in our ability to trade Mexican peso. And we're hopeful
12 that we saw similar results in other currencies around the
13 world.

14 Q. In fact, did you actually achieve scale in the
15 Mexican peso and the Philippine peso?

16 A. We did.

17 Q. And why would you say that you achieved scale in
18 those two currencies?

19 A. It became a meaningful counterparty for us in
20 our daily trading activity. From a risk management
21 perspective, we don't like to be single-threaded in a
22 single currency or have a single counterparty, but we
23 would want our counterparties to be able to handle 100
24 percent of our daily volume, if we so elected to do that.

25 And it became apparent that if we wanted

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2 to, we could trade 100 percent of our daily needs through
3 ODL on Mex and Filipino peso.

4 Q. So in those two corridors, the ODL product
5 actually achieved the kind of scale that could have some
6 of the financial benefits we talked about earlier?

7 A. From a dollar-trading perspective, yes. From an
8 efficiency or a cost of foreign exchange, no.

9 Q. But it has that potential, is what you're
10 saying?

11 A. Yes. And I think their counterparties were
12 sufficient to be able to handle our flows.

13 Q. And the difference between the economic aspect
14 of it and whether it would be economic to do it that way
15 was the exchange fees?

16 A. It was a combination of both the exchange fees
17 and they were not able to get to market rates on the
18 foreign exchange, fundamentally.

19 Q. Okay. It improved the exchange fee -- exchange
20 rates?

21 A. It -- I believe it improved the Mexican peso. I
22 think it was actually widening out the Filipino peso as we
23 ramped up the volume.

24 Q. Okay. One more and then we'll --

25 MR. LEWIS: I think we have lunch here for

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2 everyone, whenever you're ready.

3 MR. CERESNEY: So why don't we just do one
4 more transcript --

5 THE WITNESS: Sure.

6 Q. (BY MR. CERESNEY) Let me show you Exhibit 9.
7 (Exhibit 9 marked.)

8 Q. (BY MR. CERESNEY) Do you remember
9 Mr. Holmes -- sorry.

10 Do you remember Mr. Holmes appearing on CNN
11 in December 2020?

12 A. Yes.

13 Q. Let me show what has been marked as Exhibit 9,
14 which is a transcript of Mr. Holmes's appearance on CNN on
15 December 16th, 2020.

16 Did you watch that appearance?

17 A. After the fact, yes.

18 Q. Okay. And just so we're clear, December 16,
19 2020, that is six days -- the SEC filed their complaint
20 against Ripple on December 22nd, 2020.

21 Does that date sound right to you?

22 A. Yes.

23 Q. So this was six days before that.

24 A. Okay.

25 Q. And then if we go to page 10 of this document,

1 LAWRENCE ANGELILLI

2 the interviewer asked about the Ripple relationship. And
3 Mr. Holmes says, We have been partnering with Ripple now
4 for about 18 months. And the idea behind that for us was
5 to really push innovation and see how we can help in the
6 pioneering of the expansion of global utilization of
7 blockchain. And we've been doing that, as you said, for
8 settlement, for treasury management, really FX management
9 services, and the ability to send money cross border is
10 really affected by our ability to actually settle
11 real-time. Our customers are looking for real-time
12 payouts, so the money has to be there really before the
13 transaction is even initiated, if you think about it.

14 So for us, having access to liquidity,
15 improving speed of transaction and throughput, is really
16 what I think could be transformative for our industry and
17 our business in particular in the coming decade. And
18 Ripple is doing a lot of unique things with blockchain and
19 with crypto, to help drive that, and it's been a very nice
20 partnership.

21 We've, obviously, learned a lot together
22 and continue to push -- I think really push the boundaries
23 of what can be. And it's a lot of fun for sure.

24 So at this time, I think we talked about
25 the reduction in volume by this point of transactions.

1 LAWRENCE ANGELILLI

2 But you were still doing transactions with

3 Rip -- with the ODL product at this time?

4 A. Yeah.

5 Q. And did you foresee continuing that relationship

6 in the coming months?

7 A. We had prepared a budget that included the

8 Ripple incentive fees in it for 2021.

9 Q. So the answer -- so you had intended to continue

10 the partnership to the next year?

11 A. Yes. Well, the word "continue" is -- is maybe

12 not the right word, because on December 8th, I believe, or

13 the 9th, we completed our quota under the amendment of the

14 agreement. We had reduced our volume by somewhere in the

15 vicinity of 90 percent, which was at the request of

16 Ripple, because the payments they were making under the

17 make-whole agreement they viewed as problematic.

18 At the time of this agreement, we had

19 suspended -- I mean, at the time of this interview, we had

20 suspended trading, because we had hit the maximum under

21 our quota system. And if we had traded for the remaining

22 month of December, we wouldn't have earned any incentive.

23 We were currently in negotiations with them

24 on what the new agreement would look like, and they were,

25 you know, attentive at that time about trying to figure

1 LAWRENCE ANGELILLI

2 out what to do next. We didn't -- we didn't know whether
3 they wanted us to continue what we did that terminated in
4 December, where we had reduced our trading levels.

5 But we had explained to them that in order
6 for us to earn the incentives, we would have had to
7 significantly ramp up trading in Mexican peso and PHP, or
8 Filipino peso. And we -- they were engaged in dialogue at
9 that time on what the trading levels should be and what we
10 would do in the new year.

11 Q. Did you fully expect to reach an agreement on
12 volume levels in the next year?

13 A. We did.

14 Q. And you intended to continue the partnership
15 going forward?

16 A. To the extent that they could accommodate our
17 needs in terms of the ability to trade.

18 Q. Were you still find -- you still find the
19 product at the time to have certain potential benefits
20 going forward?

21 A. No.

22 Q. Did you still think that there was some promise
23 in the product going forward?

24 A. We had lost a lot of confidence in the product
25 by this time.

1 LAWRENCE ANGELILLI

2 Q. Did you still think there was potential?

3 A. We were interested in continuing to explore new
4 currencies. We wanted to earn our incentives, which is
5 what those incentives were for. And we were increasingly
6 frustrated that the level of energy on their side didn't
7 match the level of energy on our side to try to expand
8 these corridors.

9 And at this time our negotiations on the
10 contract and our dialogue with them were complicated by
11 the fact that there was really only two currencies at this
12 time that they were able to scale on, which was those two.
13 And that it was becoming less -- less important to us, in
14 terms of our operations, and it was becoming impossible to
15 achieve all those aspirational goals.

16 We were at that time encouraged that they
17 wanted to engage in a dialogue with us. We had been told
18 that we really didn't need to worry about the class action
19 or the SEC suits. So that was not viewed as a prime
20 threat in our mind at the time of this interview.

21 And I think we were at a crossroads, where
22 we still viewed the product as having a potential, but
23 that the level of energy around it had been completely
24 reduced.

25 Q. Well, you see what Mr. Holmes says here. He

1 LAWRENCE ANGELILLI

2 says, I think -- he says, I think -- I assume he means the
3 product can be transformative for industry and our
4 business in the coming decade.

5 Did you still agree with that at the time?

6 A. I think the word is "can be." And I think that
7 nothing had changed in terms of that the product was
8 immature and not cost-effective. But what had changed was
9 the run of energy to solve for that.

10 Q. But if that could be solved for, it could be a
11 tremendous transformative product for the industry?

12 A. Correct.

13 Q. And he says, Ripple is doing a lot unique things
14 with blockchain and with crypto to help drive that, and
15 it's been a nice partnership.

16 Would you agree with that?

17 A. They were exploring all sorts of new
18 technologies at the time.

19 Q. So you talked about the -- you know, reduction
20 in energy. There still was efforts being made by Ripple
21 to make the product work?

22 MR. MOYE: Objection, foundation.

23 A. It seems that -- it seems that the energy was
24 around other non-ODL products.

25 Q. (BY MR. CERESNEY) Okay. So they were talking

1 LAWRENCE ANGELILLI

2 about other potential products that MoneyGram might be
3 able to use?

4 A. Correct.

5 Q. What kind of products were they?

6 A. RippleNet was the primary goal, it seemed.

7 Q. Was this around the time where there was a
8 discussion of the Wallet's End or the -- do you know what
9 Wallet's End is? Does that mean anything to you?

10 A. No.

11 Q. The idea of Ripple selling the XRP to MoneyGram
12 that it would use in the ODL transaction.

13 Was that discussion around this time?

14 A. We already had a wallet. We were already using
15 a wallet of XRP. That was how we were paid.

16 Q. Right.

17 A. So they had established a wallet so that we
18 weren't incurring -- you know, it was easier and faster
19 for us to liquidate our position on a daily basis, which
20 was our goal. We didn't want to be long on
21 cryptocurrency.

22 So they established the wallet for us. And
23 we used that wallet on a daily basis. And we calculated
24 our incentive on a daily basis. Extracted it from that
25 wallet and sold it into the market. So we already were

1 LAWRENCE ANGELILLI

2 using their wallet.

3 Q. But you didn't use that XRP for the ODL
4 transactions?

5 A. We were not permitted to.

6 Q. Right.

7 And so what do -- I think you said earlier
8 on that there were discussions about potentially
9 purchasing XRP from Ripple that would then be used in the
10 ODL transaction?

11 A. But it was never offered to us. You know,
12 obviously, we were indifferent. I mean, we were -- it was
13 actually in their best interest to offer it to us, because
14 it would reduce their make-whole payments.

15 So why it never occurred, I think really is
16 probably a question for them.

17 Q. Okay. I think you did say that there were
18 discussions about potentially MoneyGram using that?

19 A. It came up, but it didn't seem to have traction.

20 MR. CERESNEY: Okay. I'm done with this.
21 Why don't we take a break and go off the record.

22 THE WITNESS: Okay.

23 THE VIDEOGRAPHER: We're off the record at
24 12:28.

25 (Recess in the proceedings from 12:28 to

1 LAWRENCE ANGELILLI

2 1:17 p.m.)

3 THE VIDEOGRAPHER: We are back on the
4 record at 1:17.

5 Q. (BY MR. CERESNEY) Great. So, Mr. Angelilli, a
6 few questions up front here. We talked about the
7 incentive payments that were made under the commercial
8 agreement to MoneyGram by Ripple during the 2019/2020
9 period, remember?

10 A. (Witness nods head affirmatively.)

11 Q. Do you -- were those incentive payments or the
12 amounts of those incentive payments disclosed in your
13 public filings?

14 A. They were.

15 Q. And where would they have been disclosed in your
16 public filings?

17 A. They were disclosed as a negative or a contra
18 expense in our transaction and operational line.

19 Q. And would that -- were the -- were the specific
20 amount of those specific incentives disclosed?

21 A. Yes.

22 Q. So anyone who wanted to understand what those
23 incentive payments were would have been able to look at
24 your financials?

25 A. Yes.

1 LAWRENCE ANGELILLI

2 Q. And was MoneyGram transparent with its investors
3 about the reason for those payments?

4 A. Yes. In fact, we stated from the very beginning
5 that those payments were a part of a partnership for us to
6 develop these currency pairs for them.

7 Q. Now, you mentioned before the break your
8 understanding about the status of the SEC investigation
9 involving Ripple prior to the SEC bringing suit in this
10 case.

11 Where did you get that understanding from?

12 A. My -- my counsel.

13 Q. Okay. So everything you shared with us about
14 your understanding came from discussions with counsel?

15 A. Yes.

16 Q. Okay.

17 MR. CERESNEY: Did you want to assert --

18 MR. LEWIS: Well, yeah, but I'm not sure I
19 under --

20 THE WITNESS: Maybe I didn't understand
21 your question.

22 MR. LEWIS: Can you repeat the question?

23 MR. CERESNEY: Yeah.

24 Earlier on in the testimony, I think

25 Mr. Angelilli talked about his understanding about the

1 LAWRENCE ANGELILLI

2 status of the SEC investigation of Ripple prior to the SEC
3 bringing suit.

4 And I just want to understand the basis for
5 his understanding that. And it sounds like that came from
6 discussions with counsel.

7 THE WITNESS: I don't recall
8 what you're -- can you point me to what you're referring
9 to because I'm not recalling that we even discussed the
10 case?

11 MR. MOYE: Are you talking about the
12 lawsuit?

13 MR. LEWIS: The SEC lawsuit?

14 THE WITNESS: Yeah.

15 MR. LEWIS: Is that what you're referring
16 to, Andrew?

17 MR. CERESNEY: I thought that there was
18 some reference -- but I am happy to be corrected because
19 then that would eliminate the need for this line of
20 questioning.

21 Q. (BY MR. CERESNEY) Well, let me ask it again.
22 Let me start from the beginning.

23 Prior to the SEC filing suit in connection
24 with this matter, did you have an understanding from
25 anyone other than counsel about whether there was an

1 LAWRENCE ANGELILLI

2 investigation of Ripple by the SEC?

3 A. I think -- prior to this, I referred to that we
4 were -- we were aware that there was an investigation, and
5 we had been assured that it was not an issue by Ripple.

6 MR. LEWIS: Okay.

7 Q. (BY MR. CERESNEY) Okay. But who -- okay. So
8 that is what I am referring to, your comment on that.

9 Where did that -- where did that come from,
10 your knowledge of that, your statement --

11 A. Brad Garlinghouse.

12 Q. And Bradley Garlinghouse, what -- when did you
13 have those discussions with Mr. Garlinghouse?

14 A. We had those discussions even when we were
15 negotiating the original agreement. There was a class
16 action. And we wanted some assurance at the time that
17 this couldn't, you know, disrupt the formation of a
18 partnership. And we were assured at that point.

19 And then our internal counsel had various
20 conversations that were -- that I was aware of that were
21 told that this was a --

22 Q. Hold on.

23 MR. LEWIS: So -- so if you -- if you have
24 independent knowledge, Larry, outside of what you
25 discussed with in-house counsel or external counsel, me or

1 LAWRENCE ANGELILLI

2 anyone else, that is okay. But if your information is
3 based on those discussions solely with -- the knowledge is
4 based solely on discussions with either in-house or an
5 external counsel, then those would be privileged
6 communications. And I'm going to instruct you not to
7 answer.

8 But if you had communications outside of
9 those discussions, with Ripple or anywhere else, that is
10 okay.

11 THE WITNESS: Then I would say that other
12 than the assurances from Mr. Garlinghouse at the
13 beginning, I had no knowledge from any other source about
14 the -- the proceedings.

15 Q. (BY MR. CERESNEY) And when you talk about the
16 beginning, you mean back in June of 2019 at the start of
17 the relationship?

18 A. That summer, yes.

19 Q. Okay. And can you tell us specifically what you
20 recall about Mr. Garlinghouse's statements to you?

21 A. He was dismissive and told us something to the
22 effect that it was a nonevent or a nuisance.

23 Q. And did you have further -- you didn't have
24 further discussions with --

25 A. Myself, no.

1 LAWRENCE ANGELILLI

2 Q. Let me just finish.

3 A. Yeah, sorry.

4 Q. -- with Mr. Garlinghouse after that initial
5 discussion?

6 A. No.

7 Q. And was that before you entered the relationship
8 or after the agreement?

9 A. Before.

10 Q. Okay. So that would have been before June 17th,
11 2019?

12 A. Yes.

13 Q. Okay. And that was based, presumably, on his
14 understanding at the time?

15 A. Yes.

16 Q. Now I want to ask you about -- about -- we've
17 had some discussions about liquidity in the various
18 markets and about the need for counterparties that would
19 purchase the XRP in the receive market; is that fair?

20 A. Yes.

21 Q. And you talked about market makers that Ripple
22 had some relationships with as being part of that
23 liquidity; is that fair?

24 A. Yes.

25 Q. Did you have any transparency into what those

1 LAWRENCE ANGELILLI

2 arrangements were with the market makers?

3 A. No.

4 Q. Did you know what, if any, incentive payments
5 were being made to those market makers?

6 A. No.

7 Q. And over time, you had no -- you had no
8 visibility into what those relationships were?

9 A. The only visibility that I had personally was
10 also in a meeting or a call that we had with Brad
11 Garlinghouse where he told us that they had arrangements
12 with, quote/unquote, a household name hedge fund that
13 would be counterparties.

14 Q. When was that --

15 THE REPORTER: I'm sorry, what?

16 MR. CERESNEY: Counterparties.

17 Q. (BY MR. CERESNEY) When was that discussion?

18 A. It was -- I'm not sure, but most likely, shortly
19 after we started the arrangement, and we were trying to
20 grow these counterparties in Mexican pesos.

21 Q. So it would have been early in the relationship?

22 A. Yes.

23 Q. And one other question. I asked you about a
24 number of declaration -- I'm sorry; a number of earnings
25 calls. I asked you about CNN interviews. I showed you

1 LAWRENCE ANGELILLI

2 some exhibits.

3 Any of that appear in the declaration that

4 the SEC sent you to execute?

5 A. No.

6 MR. MOYE: Objection, argumentative.

7 Q. (BY MR. CERESNEY) And did that declaration

8 provide any of the statements that you made publicly on

9 these issues?

10 MR. MOYE: Same objection.

11 A. Could you ask that again?

12 Q. (BY MR. CERESNEY) Did that declaration

13 reference any of those public statements that you made on

14 these issues?

15 MR. MOYE: Same objection.

16 A. No.

17 Q. (BY MR. CERESNEY) Okay. Now, I want to turn

18 to a separate topic.

19 And can you pull up Exhibit 1, which is the

20 declaration again? And I want to just ask about

21 paragraph 19 of that declaration.

22 That reads, Based on our -- on this

23 understanding, MGI views itself as providing a distinct

24 service to Ripple under the commercial agreement, which is

25 to provide the XRP marketplace with liquidity by executing

1 LAWRENCE ANGELILLI

2 consistent purchases and sales of XRP on a daily basis on
3 third-party exchanges.

4 My question is: Do you have a reference
5 here to providing a distinct service? And -- and then I
6 want to ask you about also paragraph 28, actually. In
7 paragraph 28, there is a reference to December 31st, 2019.
8 The parties entered into an amendment to the commercial
9 agreement. The amendment, among other things -- other
10 changes added new bonus opportunities, adjusted certain
11 bonus-related thresholds and added a \$■ million bonus
12 payable at 2 MPSI at the end of 2019. MGI was no longer
13 identified as a customer of Ripple, but instead was
14 referred to as the service provider for Ripple under this
15 revision to the commercial agreement.

16 Do you see that?

17 A. Yes.

18 Q. That amendment to the commercial agreement that
19 now identified MGI as a service provider, who requested
20 that amendment?

21 A. I did.

22 Q. Why did you request that amendment?

23 A. Part of the confusion around our accounting
24 treatment was the interpretation under the contract that
25 Ripple was a vendor of MoneyGram, which was making us

1 LAWRENCE ANGELILLI

2 subject to an arcane accounting rule regarding vendors.

3 And it was our hope that by changing the definition of the

4 agreement, it would clear up any ambiguity around that

5 issue.

6 Q. Prior to that change, you had -- MoneyGram had

7 been defined as a customer of Ripple; is that fair?

8 A. Yes.

9 Q. And Ripple advertised publicly that MoneyGram

10 was its customer; is that fair?

11 A. I don't know.

12 Q. Okay. So it was MoneyGram that requested this

13 amendment to the agreement?

14 A. Yes.

15 Q. Did Ripple object to this amendment?

16 A. No.

17 Q. So I want to focus on the accounting treatment

18 that you just described.

19 What were the -- were there two alternative

20 accounting treatments for the incentives that were paid by

21 Ripple to MoneyGram?

22 A. There were really no alternatives. It was

23 creating something from scratch because nothing like this

24 had ever been done before.

25 Q. My understanding is that one potential treatment

1 LAWRENCE ANGELILLI

2 of the incentives was as revenue to MoneyGram; is that
3 fair?

4 A. Yes.

5 Q. And just tell us what is meant by treating the
6 incentives as revenue to MoneyGram.

7 A. We were interested in the most easy to
8 understand or transparent disclosure when it came to the
9 MoneyGram agreement. And from a layman's perspective, we
10 interpreted that if somebody pays you, that is revenue.
11 We elected to use that accounting treatment for our third
12 quarter 10Q for the first three months after we started
13 under the commercial agreement. And we recorded Ripple
14 incentive fees as a component of revenue.

15 What we wanted to do was separate it from
16 the revenue associated with the money transfer or FPB
17 business, but nevertheless show that incoming transfers of
18 funds from a third party represented revenue, which was a
19 common-sense view of the -- of the -- of the transactions.

20 Since there are two components, there's a
21 make-whole and there's the incentives, we used the
22 make-whole as an offset to expenses. So we broke it into
23 two and said that the make-whole was really offsetting an
24 increase in costs, the MoneyGram, and they washed. And
25 they would flow through on the expense side and that the

1 LAWRENCE ANGELILLI

2 commercial agreement and the incentive payments would flow
3 through with revenue. That was really that simple and
4 that easy to understand.

5 Q. So let me make sure we understand what the two
6 types of payments were. The make-whole payments, were
7 those the payments that were intended to make MoneyGram
8 whole for any additional costs from the -- from the ODL
9 transaction over and above what it would cost MoneyGram to
10 do that transaction for the traditional payment route?

11 A. Yes.

12 Q. And that payment -- that make-whole payment,
13 what was the level above which Ripple agreed to reimburse
14 MoneyGram?

15 A. Under the agreement, everything above 5 basis
16 points above the spot rate would be made in a cash payment
17 to MoneyGram.

18 Q. And that would include both the exchange costs,
19 the cost for the exchange fees, as well as the FX cost?

20 A. Yes.

21 Q. And that you treated as contra expense in the
22 third quarter of 2019?

23 A. Yes.

24 Q. And just so it's -- so we're clear, contra
25 expense and what that means, can you explain that to us?

1 LAWRENCE ANGELILLI

2 A. Yes. It's a negative expense.

3 Q. So in other words, on your income statement, you
4 have expenses that are in one line on the income
5 statement, right, and then you reduce those expenses by
6 the contra expense?

7 A. Yes.

8 Q. And the thinking was that -- tell us why that
9 made sense to you as an accounting treatment.

10 A. As we've discussed, there was a tremendous
11 amount of interest in this transaction. Our shareholders
12 and the analyst community was interested in the financial
13 implications.

14 We wanted to be transparent and really make
15 it clear that there were going to be two sorts of payments
16 received from Ripple; one of them was going to have a
17 positive impact on our earnings and cash flow, and the
18 other would wash. And so it was -- we thought it was the
19 proper treatment to separate those two and make it
20 transparent.

21 Q. And so a -- an investor or anyone else looking
22 at MoneyGram's financial statements would be able to see
23 how much of the incentive payments were make-whole
24 payments?

25 A. Correct.

1 LAWRENCE ANGELILLI

2 Q. Now let's take the other part of the incentives
3 that were paid, the volume incentives.

4 A. Right.

5 Q. Well, tell us what the volume incentives were.

6 A. So that's what I've been referring to as the
7 incentives. So there was a gradual reduction in those
8 incentives, based on volume. So the theory being that it
9 would be harder to establish markets in the beginning than
10 later.

11 And so we had a \$ [REDACTED] million pool of
12 incentives that were paid out based on a sliding scale of
13 basis points against the volume of trading that we did on
14 ODL.

15 Q. Just so it's clear. Up front, it sounds like
16 the expectation was that it was going to take time to ramp
17 up the volume, because you needed to create liquidity in
18 those markets.

19 Is that fair?

20 A. Yes.

21 Q. Okay. Those incentives were booked as revenue
22 in the third quarter of 2019?

23 A. Yes, in the third quarter.

24 Q. And just so we're clear, what it means to book
25 something as revenue is that is just money coming into the

1 LAWRENCE ANGELILLI

2 company, that's a line on the income statement as revenue?

3 A. Yes.

4 Q. And that would be in addition to other revenues
5 that you had?

6 A. Yes. And my recollection is we broke it out so
7 that it was visible and people wouldn't confuse it with
8 money transfer fees.

9 Q. So again, any investor or somebody looking at
10 your financial statements and your public filings could
11 tell how much of the incentive fees were volume
12 incentives?

13 A. Yes.

14 Q. That's how you booked it in third quarter 2019?

15 A. Yes.

16 Q. What happened after that?

17 A. When it came to producing our 10-K in the fourth
18 quarter, we met with [REDACTED] to discuss the agreement, what
19 the proper accounting for it was --

20 Q. Let me just stop you.

21 Who is [REDACTED]?

22 A. Those are our external auditors who certify our
23 financial statements.

24 Q. And external auditors audit your financial
25 statements that get filed with the SEC?

1 LAWRENCE ANGELILLI

2 A. Correct.

3 Q. Okay. So keep going.

4 A. Because this was new technology and because no
5 one had a precedent for anything like this, there was
6 uncertainty at KPMG on how to properly account for it.

7 And one of the issues that came up was an
8 accounting bulletin or rule called ASC606, which had to do
9 with vendor payments. And it was the interpretation of
10 some of the people at [REDACTED], not all of the people at [REDACTED],
11 that the -- both the payments for the make-whole and the
12 payments for the incentives were subject to ASC606, which
13 means that they would be needed to be treated as a contra
14 expense.

15 Q. Just so we understand that. Whereas, before you
16 were treating the volume incentives as revenue, KP -- some
17 people at [REDACTED] were taking the position that those volume
18 incentives should, instead, be treated just like the
19 make-whole payments, as contra expense?

20 A. Correct.

21 Q. And when you said some people at [REDACTED] felt this
22 way and others didn't, what did you mean?

23 A. There were partners under agreement that
24 agreed -- I mean, under our audit team that agreed with
25 the -- the way we accounted for it in the third quarter,

1 LAWRENCE ANGELILLI

2 and that there were partners at the firm that felt
3 otherwise.

4 Q. Did the national office of [REDACTED] weigh in on the
5 matter?

6 A. They did.

7 Q. And what was their -- and just so we're clear
8 what's the national office of [REDACTED]?

9 A. The national office is sort of the ultimate
10 arbiter of how their interpretation of accounting rules
11 would be imposed.

12 Q. And did the national office -- what was the
13 national office's position?

14 A. We're not sure that there was unanimity there
15 either, that basically they were leaning towards the
16 vendor payment accounting treatment of a negative expense.
17 And -- but they also agreed with us that it was peculiar,
18 in terms of what it was going to do to our disclosure and
19 actually make our disclosure harder to understand.

20 Q. And so I think what you said, though, is that --
21 is it fair to say that on balance, the national office
22 took the position that it should be booked as contra
23 expense?

24 A. I think there was enough influence there where
25 it couldn't be ignored. And as a result of that, actually

1 LAWRENCE ANGELILLI

2 it was my decision, we elected to go to the SEC for
3 preclearance on the issue.

4 Q. Just so we're clear, if the amount was booked as
5 a contra expense, would that essentially mean that you
6 were a customer of Ripple rather than a service provider?

7 A. That was irrelevant to our conversation. The
8 whole -- the whole theory about whether this was a
9 negative expense or revenue was completely irrelevant to
10 MoneyGram.

11 Our ultimate goal was to eliminate
12 confusion and to show disclosure that was comprehensible.
13 And we knew that if we had to book this as a contra
14 expense, that we would be explaining this for every
15 quarter for the rest of our existence under the Ripple
16 contract, because it didn't make intuitive sense to the
17 readers of our financial statements.

18 And so because there was such a -- an
19 amount of uncertainty around it, and because even [REDACTED]
20 couldn't agree within themselves, we decided, well, let's
21 go for preclearance to the SEC and let them decide.

22 Q. So the question about whether you were a service
23 provider versus a customer, that wasn't really relevant to
24 you?

25 A. I didn't care.

1 LAWRENCE ANGELILLI

2 Q. Okay. And so on the -- you went to the SEC to
3 seek guidance --

4 A. Yes.

5 Q. -- is that fair?

6 Now, did you advocate a particular position
7 to the SEC when you sought guidance?

8 A. No.

9 Q. So you laid it out as if, here's the issue, you
10 tell us how to book it?

11 A. My understanding is that's the way it's done.

12 Q. Okay. And did you make a written submission to
13 the SEC on this issue?

14 A. We did.

15 Q. Ultimately -- we're going to look at the written
16 submission in a second, but what was the SEC's ultimate
17 position on this issue?

18 A. That it should be treated as a contra expense.

19 Q. And so, therefore, just to be clear, that -- the
20 volume incentives that you were paid by Ripple in this
21 arrangement were a reduction in your expenses in
22 connection with these transactions?

23 A. Yes.

24 Q. In -- in the SEC rendering that opinion, which
25 parts of the SEC did you have contact with?

1 LAWRENCE ANGELILLI

2 A. Their office of accounting, it's OCA or --

3 Q. The Office of Chief Accounting?

4 A. Yes.

5 Q. Did you also have dealings with the
6 department -- the Division of Corporation Finance?

7 A. No.

8 Q. Are you sure about that?

9 A. I don't -- not me personally.

10 Q. Okay. I'll show you some documents on that.

11 A. Okay.

12 Q. In connection with any of those dealings, did
13 anyone at the SEC raise with you -- well, first of all,
14 was it transparent to that SEC in these discussions or did
15 you explain to the SEC in these discussions how you were
16 using XRP in your transactions?

17 A. Yes.

18 Q. Did you explain to them how you were going into
19 the market and selling XRP as part of these transactions?

20 A. Yes.

21 Q. Did you explain to them that you were dealing
22 with millions of XRP in these transactions?

23 A. Yes.

24 Q. In any of those discussions at any time, did the
25 SEC or anyone at the SEC indicate to you that XRP was an

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2 investment contract or a security?

3 A. No.

4 MR. MOYE: Objection.

5 Q. (BY MR. CERESNEY) Did anyone --

6 MR. MOYE: Argumentative.

7 Q. (BY MR. CERESNEY) Did anyone at the SEC ever

8 tell you that it was illegal for you to transact in XRP?

9 MR. MOYE: Same objection.

10 Q. (BY MR. CERESNEY) You can answer.

11 A. Specifically, no.

12 Q. Generally?

13 A. These discussions were arcane discussions about
14 ASC606. There were never any suggestions of any kind that
15 there was any other motive for their investigation. In
16 fact, we had gone to them, so it was really along the
17 lines of the documents that we had provided. It was a
18 factual discussion about the mechanics of how this worked.
19 And I was never aware of anything other than that.

20 Q. Okay. I wanted to show you one document before
21 we get to the actual submissions you made, which is a
22 document which shows some communications with the Division
23 of Corporation Finance about these issues, just to see if
24 that refreshes your recollection.

25 Let's take a look at Exhibit -- Exhibit --

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2 what are we talking, 10? 10.

3 (Exhibit 10 marked.)

4 Q. (BY MR. CERESNEY) Take a look at that
5 document.

6 A. Okay.

7 Q. That is a May 29th, 2020, communication with the
8 Division of Corporation Finance. And it's -- it's a
9 letter to the Division of Corporation Finance from you and
10 signed by you. And it's dated May 29th, 2020.

11 The Bates Number is MoneyGram SEC 16307 to
12 16309. And I want to direct your attention to comment
13 Number 4. The reference to, We note your disclosure that
14 you entered into a multiple-element arrangement with
15 Ripple. Please provide us with a specific and
16 comprehensive discussion of how you concluded it was not
17 necessary to allocate any of the proceeds from the SPA to
18 the commercial agreement.

19 Do you see that comment there?

20 A. Yes.

21 Q. And was that a reference to both the share
22 purchase agreement that Ripple made with MoneyGram, as
23 well as the commercial agreement with Ripple?

24 A. That was the second issue that the SEC had
25 raised in our preclearance discussions.

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2 Q. And what did that issue relate to?

3 A. They initially asked questions around whether
4 Ripple's investment in MoneyGram was an at-the-market
5 transaction or whether there was a baked-in premium that
6 was sort of a prepayment of an incentive, and that there
7 was an accounting treatment associated with that, where if
8 it was not a market transaction, that we would have to
9 also book the premium over the stock price as revenue
10 accrued over the life of the commercial agreement.

11 Q. Okay. And as part of that, was that part of the
12 dialogue you were having with the SEC on these issues?

13 A. Yes.

14 Q. And so the -- what we described earlier about
15 your description of the transactions to the SEC, and the
16 SEC's -- information you provided to the SEC about your
17 dealings in XRP, would that apply to this piece of the --
18 of the comments as well?

19 A. Well, they're really two separate issues, but
20 that's what we had discussions with them as well.

21 Q. And does this appear to have been a dialogue
22 that you also had with the Division of Corporation
23 Finance?

24 A. We had conference calls where I didn't know the
25 division of the SEC that the people represented, so to me

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2 they were the same. So I guess this is addressed to the
3 Division of Corporate Finance, so I stand corrected.

4 But they were done in concert with one
5 another.

6 Q. And that's why I refreshed your recollection. I
7 totally understand the nameless, faceless people on the
8 other side of a conference call.

9 A. It was Covid and it was sort of just a giant
10 conference call.

11 Q. Understood.

12 But it does look like this does refresh
13 your recollection that the Division of Corporation Finance
14 was involved in this discussion?

15 A. Yes.

16 Q. And again, just to ask you, in your dialogue
17 with the Division of Corporation Finance, did anyone in
18 the Division of Corporation Finance ever raise with you a
19 question about whether XRP was a security?

20 MR. MOYE: Objection, argumentative.

21 A. No.

22 Q. (BY MR. CERESNEY) What was your answer?

23 A. No.

24 Q. Did anyone ever inform you that they believed
25 that XRP was an investment contract?

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2 MR. MOYE: Same objection, asked and
3 answered.

4 A. No.

5 Q. (BY MR. CERESNEY) Okay. Let me now show you
6 what we'll mark as Exhibit 11, which is a submission that
7 was made to the SEC on these accounting issues.

8 (Exhibit 11 marked.)

9 Q. (BY MR. CERESNEY) I will put that in front of
10 you. And this is going to be MoneyGram SEC 1 to 69. And
11 it's an e-mail dated November 26th, 2019, from John
12 Stoneham to ocarequest@sec.gov. And then attached to it
13 is a letter dated November 22nd, 2019, from Mr. Stoneham,
14 who appears to be the controller and principal accounting
15 officer of MoneyGram.

16 Is he the chief accounting officer?

17 A. At that time, yes.

18 Q. And he appears to attach to this -- he says,
19 Ladies and gentlemen, MoneyGram International requests
20 preclearance from the Office of Chief Accountant of the
21 U.S. Securities and Exchange Commission of our accounting
22 treatment related to fees received from Ripple Services,
23 Inc., to transact in the XRP cryptocurrency.

24 Do you see that?

25 A. Yes.

1 LAWRENCE ANGELILLI

2 Q. Is it -- can we agree that it's clear from that
3 request that what you're seeking clearance for is a
4 treatment of transactions in XRP?

5 A. Yes.

6 Q. Okay. And you're cc'd on this letter, correct?

7 A. Yes.

8 Q. Were you involved in the preparation of this
9 submission?

10 A. Yes.

11 Q. Okay. Did you review it before it was
12 submitted?

13 A. Yes, sir.

14 Q. Okay. I want to -- and this was a -- the
15 preclearance -- just, generally, what is a preclearance
16 request?

17 A. This would avoid the need for comment letter on
18 our SEC disclosure post-filing, and give us clearance to
19 use the accounting treatment before we filed.

20 Q. Okay. So let's look at page 2 of this
21 submission. I want to ask you about one statement on
22 this -- this page.

23 If you look at the paragraph, it's the
24 second full paragraph of the text, towards the bottom of
25 the page. The language starting with, Ripple's business

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2 model does not include the sale of licenses as a source of
3 revenue. Rather, Ripple generates revenue by selling XRP
4 pursuant to its, quote, drip program, unquote, which is
5 Ripple's systematic approach for slowly selling XRP into
6 the marketplace.

7 Do you see that?

8 A. Yes.

9 Q. Where did you get the information that's
10 included in the submission about the drip program?

11 A. When we were formulating the agreements, we had
12 due diligence and Ripple's CFO at the time explained to us
13 where their money or cash came from, and explained the
14 whole concept of having a zero basis and issuing XRP.

15 Q. Did he use the term "drip program"?

16 A. I don't recall him using that program -- that
17 name.

18 Q. So is that something that MoneyGram -- that was
19 language that MoneyGram itself came up with?

20 A. I don't know. I don't know the answer to that.

21 Q. It's possible that that was MoneyGram's
22 language?

23 A. It's in quotes, but it's unlikely. I -- but I
24 don't know where that term came from.

25 Q. Okay. The first sentence says that Ripple's

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2 business model does not include the sale of licenses as a
3 source of revenue.

4 Did that come from the due diligence
5 meeting, as well, if you know?

6 A. I don't know that.

7 Q. Okay. And go further in the -- in the
8 paragraph, there's a reference to Ripple's best interest
9 to market and promote XRP by providing potential users of
10 XRP with proven use cases for the utility of XRP, as well
11 as increase the overall liquidity of XRP -- I'm sorry --
12 as well as to increase the overall liquidity of XRP with
13 multiple commercial users of the product, thereby creating
14 a more robust marketplace for the buying and selling of
15 XRP.

16 Do you know where that in -- that
17 language -- that information came from?

18 A. That was the way it was explained to us. In our
19 agreement, it's actually contingent upon the price of XRP.
20 We have in the agreement a [REDACTED] floor, where the amount
21 of XRP that we would receive is based on the basis points
22 times the volume of foreign exchange, assuming a [REDACTED]
23 price of XRP.

24 If the value of XRP were to fall below [REDACTED]
25 [REDACTED], which it did for extended periods of time, it was

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2 detrimental to MoneyGram.

3 When we negotiated that agreement, we
4 were -- also, it was explained to us that they were
5 actively involved in promoting the use of XRP and making
6 attempts to increase its value.

7 Q. Making attempts to increase its value, meaning
8 the price?

9 A. Meaning the price of XRP, yeah.

10 Q. Do you recall that people in that discussion
11 talked about Ripple trying to influence the price of XRP
12 upwards?

13 A. Yes, I do.

14 Q. Or the utility of XRP?

15 A. The price.

16 Q. How about the liquidity of XRP, did they refer
17 to that?

18 A. There was a theory that was put forward to us
19 that by increasing the utility of XRP, it would result in
20 a higher price of XRP, but it was, you know, one component
21 of the -- they were interested in working to increase the
22 price of XRP.

23 Q. And did you -- did you have -- what did they say
24 in that meeting about what they were doing; was it
25 increasing the utility that would impact the price of XRP?

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2 A. They have a series of investor conferences.

3 They have the spell conference that they wanted us to
4 participate in. They had a very active public relations
5 campaign. They were aggressive in terms of their wanting
6 to promote the Ripple and MoneyGram alliance. And, you
7 know, the explanation was, is that that would increase the
8 value of MoneyGram and increase the value of XRP.

9 Q. Okay. What was your understanding as to why
10 that would increase the value of XRP?

11 A. It would disassociate it from other
12 cryptocurrencies, that there was a frustration on their
13 part that it was highly correlated to the trading of
14 bitcoin and other types of cryptocurrencies, and that by
15 having its own utility, that it would be decoupled and
16 have its own value, and that they would be able to
17 increase its value without having to rely on general
18 market conditions for XRP at -- versus bitcoin or any
19 other cryptocurrency.

20 Q. Are you aware sitting here today whether the
21 price of XRP ever decoupled from the correlation with the
22 other virtual currencies of the market?

23 A. It seems to remain coupled today. But I -- I
24 haven't been a student of it to know. I don't follow
25 bitcoin.

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2 Q. Okay. But your current understanding is that,
3 essentially, the price of XRP has been correlated with the
4 virtual -- with other virtual currencies, like bitcoin?

5 A. Yes.

6 MR. MOYE: Objection, foundation.

7 A. In a general sense, yes.

8 Q. (BY MR. CERESNEY) Okay. So, by the way, did
9 you ever share this submission with Ripple, to allow them
10 to review it?

11 A. I don't recall.

12 Q. Did Ripple ever agree with the characterization
13 in this paragraph about the drip program or about the best
14 interest of Ripple?

15 A. I don't know.

16 Q. Your understanding -- okay.

17 Let's look at page 21 of the attached.

18 And I want to ask you about this page here.

19 There is a reference here to a reconciliation of Ripple
20 exchange rate, and a calculation here of costs for a
21 particular transaction.

22 What did the -- what is being shown on
23 this -- on this page here?

24 A. It shows the fees associated with the exchanges,
25 and then the foreign exchange spread separated out, and

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2 comparing a Reuters rate fee with -- or execution with an
3 ODL execution.

4 Q. Okay. To be clear, you used a notional amount
5 in this transaction of \$[REDACTED].

6 Do you see that?

7 A. Yes.

8 Q. Do you know why that amount was chosen?

9 A. I believe this was pulled from an actual trade
10 so that we could tie out the numbers, if required.

11 Q. And just so it's clear what this shows.

12 There's a reference to a Bitstamp fee.

13 What's Bitstamp?

14 A. Bitstamp was the exchange in the United States.

15 Q. And that's listed at \$[REDACTED].

16 Do you see that?

17 A. Yes.

18 Q. What did that \$[REDACTED] represent?

19 A. That is what Bitstamp took out of the
20 transaction before they forwarded the amount to Bitso.

21 THE REPORTER: Bit what?

22 THE WITNESS: Before they forwarded to
23 Bitso, B-I-T-S-O.

24 Q. (BY MR. CERESNEY) Do you know if that was a
25 fixed fee or a variable fee on that exchange?

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2 A. Those are, I believe, fixed fees.

3 Q. Is that right? Are you sure about that?

4 A. Well, that's one of the problems, is that the
5 scalability -- oh, no, I had it backwards. You're
6 correct, it is -- it's basis points.

7 And that's the problem with scalability,
8 the bigger the transaction, the bigger the fee. That's
9 correct.

10 Q. Okay. So this was a variable fee, which varied
11 upon the size of the transaction?

12 A. Yes.

13 Q. So it gets larger as the transaction gets
14 larger?

15 A. Yes.

16 Q. Okay. And then the Bitso fee here is listed as
17 \$ [REDACTED].

18 Was that also a variable fee?

19 A. My understanding is yes.

20 Q. And what is Bitso?

21 A. That's the Mexican exchange for cryptocurrency.

22 Q. Okay. So these were the fees for the exchange
23 transactions.

24 A. Yes.

25 Q. And then the third line here is, Estimated

1 LAWRENCE ANGELILLI

2 average FX spread, excluding fees. And that's \$ [REDACTED]

3 What does that represent?

4 A. That would represent the spread differential
5 versus the Reuters rate.

6 Q. And so that's the FX spread, basically?

7 A. Yes.

8 Q. So those two components, the exchange fees and
9 the FX, that would make up the cost of the transaction?

10 A. Yes.

11 Q. And so this shows that this \$ [REDACTED] transaction
12 had about \$ [REDACTED] worth of costs?

13 A. Yes.

14 Q. Now, in your declaration you also provided an
15 example of a cost of a particular transaction; is that
16 fair?

17 A. Yes.

18 Q. So let's look at Exhibit 1 -- yes, Exhibit 1.
19 And look at paragraph 40 of Exhibit 1.

20 In paragraph 40 there you have a
21 transaction with a notional value of \$1,000.

22 Do you see that?

23 A. Yep.

24 Q. And so, presumably, the numbers below that are
25 going to represent the costs for a \$1,000 transaction; is

1 LAWRENCE ANGELILLI

2 that right?

3 A. Yes.

4 Q. So let's go through that and just do some math
5 here, if we could.

6 And just so we're clear, paragraph 39 gives
7 you the costs, right?

8 So paragraph 39 talks about the ODL costs
9 being about 15 basis points of the notional amount of the
10 transfer. That's what's listed as the cost of the
11 exchange fees.

12 Is that fair?

13 A. Yes.

14 Q. And then the costs of the FX spread is listed as
15 about 50 to 70 basis points; is that correct?

16 A. Yes.

17 Q. So then let's do that math on the \$1,000
18 transaction, okay.

19 So when you say here, MGI would incur on
20 the traditional payment rail, traditional commercial bank
21 transfer system, MGI would incur a \$15 bank transfer fee
22 and \$2.25 from the FX spread.

23 Do you see that?

24 A. Yes.

25 Q. So that's about a \$17.20 fee, correct?

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2 A. Correct.

3 Q. Now let's look at it from the ODL platform.

4 You have here that MGI would incur a fee of
5 approximately \$22.63. That's not correct, is it? On a
6 \$1,000 notional transaction; that's not correct, is it?

7 You do the math.

8 A. Versus this explanation in this -- in the
9 previous exhibit?

10 Q. Yeah. So you got the \$22.63 number from the
11 exhibit. But that's not the amount that a \$1,000 notional
12 transaction would cost; isn't that right?

13 A. I'd have to verify where this number came from.

14 Q. Okay. But let's just do the math for a \$1,000
15 notional.

16 A. Okay.

17 Q. So for a \$1,000 notional, the third-party
18 exchange rate would be, as you say in the previous
19 paragraph, 15 basis points, right?

20 A. And I'm not sure, though, if there's a floor on
21 these exchange fees. I would have to investigate that.

22 Q. Right.

23 But if we use the amount in the previous
24 paragraph, which is where you set forth what the average
25 was, it's 15 basis points; is that fair?

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2 A. Yes.

3 Q. And if you did 1,000 times [REDACTED] basis points, what
4 does that give you?

5 A. Oh, I agree with your math, I just don't know if
6 there's a floor.

7 Q. Okay. So let's just do the math together.

8 A. Okay.

9 Q. A \$1,000 notional times [REDACTED] basis points, how
10 much does that come out to?

11 A. That -- I don't ever do math in my head.

12 Q. Do you want to do a calculator? Yeah, feel free
13 to use a calculator.

14 A. Okay. I will use my calculator.

15 Okay. I learned a long time ago when --

16 Q. Fair enough.

17 A. -- you deal with big numbers, don't do the math
18 in your head.

19 Q. I came up with \$[REDACTED], but you'll tell me
20 whether --

21 A. You're correct.

22 Q. So \$[REDACTED]?

23 A. Okay.

24 Q. And then if we apply the \$1,000 notional to the
25 foreign -- the FX spread, which you say is [REDACTED] to [REDACTED] basis

1 LAWRENCE ANGELILLI

2 points, can we agree that that comes out to a maximum of
3 \$[REDACTED]?

4 A. Yes.

5 Q. Okay. So if we take \$[REDACTED] and we add that to
6 \$[REDACTED], that comes out to \$[REDACTED]; is that fair?

7 A. Yes.

8 Q. And that is less than the \$[REDACTED] that is under
9 the traditional payment system, correct?

10 A. Yes.

11 Q. So according to the example in your declaration,
12 the cost of the ODL transaction on the basis of the
13 amounts that are in that -- are listed in that declaration
14 would be less under the ODL platform than it would be
15 under the traditional payment rails? I'm just asking you
16 about the math.

17 A. Yes, the math is the way you describe it.

18 Q. Okay. So this is -- this is -- can we agree
19 this is an error?

20 A. This is an error.

21 Q. And this was drafted by the SEC; is that fair?

22 A. No. Those numbers came from MoneyGram.

23 Q. Okay. So that's an error by MoneyGram?

24 A. Yes.

25 Q. And we can agree, though, that under the example

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2 that is in the declaration, the correct numbers would have
3 shown the ODL transaction was less in terms of costs than
4 the traditional transaction?

5 A. I don't believe so. I think that the thousand
6 dollar USD is a typo. I would suggest that we would have
7 to re-create this transaction because I don't -- I don't
8 believe that -- I think the -- the error must be in the
9 dollar size of the transaction.

10 Q. But if you took the dollar size of the
11 transaction being a \$1,000 transaction, can you agree with
12 me that under the amounts that are set forth in this
13 declaration as the average amounts, that it would be less
14 under the ODL platform?

15 A. If these are correct, which I would question at
16 this point.

17 Q. Uh-huh. Well, do you have any alternative to
18 offer me right now -- as we sit here right now?

19 A. Well, you would have to also take -- are we
20 correct on the \$[REDACTED] is --

21 Q. I think you are correct on that because that is
22 a flat fee -- actually, it would be slightly less because
23 it's the flat fee of \$[REDACTED] and the -- and the [REDACTED]
24 [REDACTED], I believe, is what it says.

25 So it would be \$[REDACTED] plus [REDACTED]

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2 which is one basis point is about [REDACTED] So it would
3 be \$[REDACTED] according to the traditional.

4 Still less -- still more than the ODL under
5 these calculations, correct?

6 A. I think I would need to go back to my source
7 material to verify these numbers. Intuitively, your math
8 is correct. Intuitively, they don't make sense.

9 Q. Well, why do you say "intuitively they don't
10 make sense"?

11 A. Well, because --

12 Q. Let me just ask you this: Might it show that,
13 in fact, a smaller transaction would be more economical
14 under the -- under the ODL than under traditional payment
15 rails?

16 MR. LEWIS: Objection, calls for
17 speculation.

18 A. You know, I don't think I could answer that
19 because we don't trade a thousand dollars of foreign
20 exchange.

21 Q. (BY MR. CERESNEY) Okay. So you can't answer
22 one way or the other on that?

23 A. Correct.

24 Q. And by the way, the SEC didn't point out that
25 error to you in your declaration, did they?

1 LAWRENCE ANGELILLI

2 MR. MOYE: Objection, argumentative.

3 MR. LEWIS: Answer.

4 A. They did not.

5 Q. (BY MR. CERESNEY) Okay. Let's go back to the
6 SEC's dealings -- I'm sorry; MGI's dealings -- MoneyGram's
7 dealings with the SEC.

8 I want to just ask you -- by the way, I had
9 asked you earlier about your dealings with the Division of
10 Corporation Finance. Other than the comment letter that I
11 showed, which was Exhibit --

12 A. 10.

13 Q. -- 10, yes, did you get any other comment
14 letters from the SEC about the Ripple relationship that
15 you recall?

16 A. They provided their conclusion to us on the
17 accounting treatment of both the investment and the
18 incentive fees verbally. They did not submit -- we sent a
19 letter to them confirming our understanding.

20 Q. And what was the final view of the SEC on the
21 accounting treatment?

22 A. That we were correct in our categorization of
23 the equity investment and that we needed to change our
24 disclosure on the incentive fees.

25 Q. You also needed to change your characterization

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2 of the incentive fees, right; so in other words, that they
3 would be characterized as contra expenses instead of
4 revenues?

5 A. Correct.

6 Q. And you did that in the 10K that you filed for
7 the 2000 --

8 A. Yes.

9 Q. Hold on.

10 -- for 2019?

11 A. Yes.

12 Q. By the way, did the -- did the declaration that
13 the SEC got from you in this case, did that contain any
14 discussion of this back and forth with the SEC about the
15 revenue versus contra expense issue?

16 A. No.

17 Q. Did it contain anything which suggested that you
18 had interacted with the SEC on these issues pretty
19 extensively?

20 A. No.

21 Q. One of the parts of the transaction with Ripple
22 was the Ripple's -- was Ripple's purchase of shares in
23 MoneyGram, right?

24 A. Yes.

25 Q. How much did Ripple invest in MoneyGram at this

1 LAWRENCE ANGELILLI

2 time; do you remember?

3 A. There was a commitment to invest [REDACTED]

4 that we pulled down in to tranches.

5 Q. And was that [REDACTED] and [REDACTED]?

6 A. Yes.

7 Q. When you announced the deal with Ripple in June

8 of 2019, did that have any impact on MoneyGram's stock

9 price?

10 A. Yes.

11 Q. What happened to MoneyGram's stock price after

12 that announcement.

13 A. It approached the \$4.10 price that was the

14 strike price in Ripple's transaction.

15 Q. So it's fair to say the investors reacted

16 positively to that transaction?

17 A. Yes.

18 Q. Do you have any idea sitting here today what the

19 impact of that transaction was on XRP's price?

20 A. I don't.

21 Q. Do you know sitting here today whether Ripple's

22 dealings with MoneyGram had any impact on XRP's price?

23 A. I don't.

24 Q. Do you know whether Ripple's -- well, I guess I

25 asked you this a little earlier, but just to make sure the

1 LAWRENCE ANGELILLI

2 record is clear.

3 Do you know if Ripple's ODL activities had
4 any impact on XRP's price?

5 A. I wouldn't -- I can't tell, no.

6 Q. Okay. Now, does Ripple still own MoneyGram
7 stock?

8 A. No.

9 Q. Did Ripple sell its MoneyGram stock?

10 A. Yes.

11 Q. When did it sell MoneyGram's stock?

12 A. They did theirs in two tranches. They had both
13 shares and they had warrants. They sold their shares
14 first, which was in the summer months of last year. And
15 then they converted their warrants and sold off their
16 warrants last fall, I think. I'm not sure of the timing.

17 Q. Do you know if they sold those shares and
18 warrants at a profit?

19 A. Yes.

20 Q. Do you know how much of a profit they sold them
21 at?

22 A. I don't know where their average execution price
23 was. But based on just watching their activity when they
24 were selling, they nearly doubled their money.

25 MR. CERESNEY: Let's go off the record.

1 LAWRENCE ANGELILLI

2 THE VIDEOGRAPHER: Off the record at 2:11.

3 (Recess in the proceedings from 2:11

4 to 2:34 p.m.)

5 THE VIDEOGRAPHER: We're back on the record

6 at 2:34.

7 Q. (BY MR. CERESNEY) So, Mr. Angelilli, when did
8 you terminate the agreement with Ripple?

9 A. It was February of '21.

10 Q. And why did you terminate the agreement with
11 Ripple?

12 A. We were unable to trade XRP on any U.S.
13 exchange. And in our conversations with Ripple to find an
14 alternative, they were ultimately unsuccessful. And so --
15 so it became clear that we really couldn't use the product
16 anymore.

17 Q. And why were you unable to trade XRP on any U.S.
18 exchange?

19 A. U.S. exchanges stopped trading the token after
20 the SEC filed suit.

21 Q. And but for the fact that the exchanges
22 terminated trading on XRP as a result of the SEC suit,
23 would you have terminated the agreement with Ripple?

24 A. I can't say for sure. We were concerned about
25 legal liability, but we were also comfortable in the fact

1 LAWRENCE ANGELILLI

2 that we weren't a party to the suit, so it was not an
3 issue that we had to deal with.

4 But considering that we couldn't use it,
5 that's really what the decision was based on.

6 Q. Okay. Let me show you Exhibit 12.

7 (Exhibit 12 marked.)

8 Q. (BY MR. CERESNEY) This is the "Wall Street
9 Journal" article that we referenced earlier.

10 A. Yes.

11 Q. Where you were quoted. It's dated February
12 26th, 2021. And the headline is MoneyGram's Decision to
13 Halt Ripple Partnership Leaves CFO With Earnings Call
14 Hold. And there's a discussion here of a number of
15 things.

16 I want you -- to direct your attention to
17 page 2 of this article. In the third paragraph on that
18 page is a reference to, Last year MoneyGram received [REDACTED]
19 [REDACTED] in net market development fees from Ripple,
20 representing about [REDACTED] percent of the company's adjusted
21 earnings before interest, taxes, depreciation and
22 amortization, but after the lawsuit was filed, the company
23 said it faced logistical challenges in using the platform,
24 as well as legal and reputational risks.

25 Do you see that?

1 LAWRENCE ANGELILLI

2 A. Yes.

3 Q. Did -- did -- when it says the company faced
4 logistical challenges in using the platform, as well as
5 legal and reputational risks, what was that referencing?

6 A. That's not a direct quote from me. I think what
7 the reporter is referencing is the logistical challenges,
8 which was what I discussed in terms of being unable to
9 trade the token against a U.S. dollar exchange.

10 And then legal and reputational risks,
11 there was a lot of questions around MoneyGram's -- whether
12 we were a party to this suit, what this suit meant to us.
13 And so, you know, we did have tremendous amount of inquiry
14 about whether we had exposure to this lawsuit.

15 Q. And then there's a line that says, MoneyGram is
16 working with Ripple to figure out possible alternatives,
17 according to chief financial officer Lawrence Angelilli.

18 What is that in reference to?

19 A. That is what I was discussing previously, where
20 we were looking to see if we could trade the token on
21 foreign exchange, or find a creative alternative to keep
22 the commercial agreement alive.

23 Q. And were you able to find those alternatives?

24 A. No.

25 Q. And then there's a quote of you, it says, If

1 LAWRENCE ANGELILLI

2 there is a resolution to the case, especially if Ripple
3 prevails, then I would say there would be no problem, but
4 that could be a long time.

5 What did you mean by that?

6 A. I think going to the headline on the story,
7 the -- the interest in the reporter was, is that would we
8 be able to return to having an income stream from Ripple.
9 And I said if all these externalities would go away, we
10 would be interested in having an income stream from
11 Ripple.

12 Q. And would you also be interested in partnering
13 with Ripple on other projects as well?

14 A. Yes, we would want to bring the agreement back.

15 Q. Okay. And then we looked at -- if you look at
16 page 4 of the article, we looked at this earlier, but
17 there's a reference here to you saying that there were no
18 other comparable solutions to facilitate cross-boarder
19 transactions in real time.

20 Was that accurate as of that time?

21 A. Yes.

22 Q. Now, are you familiar with a company called
23 [REDACTED]?

24 A. Yes.

25 Q. What is [REDACTED]?

1 LAWRENCE ANGELILLI

2 A. [REDACTED] is -- was formed by one of the founders
3 of Ripple. They offer a blockchain and cryptocurrency
4 solution.

5 Q. Has MoneyGram had any discussions with [REDACTED]
6 about a relationship?

7 A. Prior to the Ripple agreement, we had some brief
8 encounters with them; following the Ripple agreement, we
9 did not.

10 Q. Okay. So you haven't had any recent discussions
11 with [REDACTED]?

12 A. Once we were released from the noncompete in the
13 commercial agreement, [REDACTED] did reach out, but nothing
14 substantive.

15 Q. What did [REDACTED] reach out about doing with you
16 at that time?

17 A. Exploring an alternative to Ripple.

18 Q. You didn't proceed with it?

19 A. No.

20 Q. There -- there was -- well, let me just ask you
21 about it. And then I'll show it to you if you don't know
22 about it.

23 There was a Yahoo! -- I'm sorry -- a
24 Bloomberg article dated July 21st, so a couple weeks ago,
25 the headline was MoneyGram Draws Takeover Interest From

1 LAWRENCE ANGELILLI

2 Stellar, Advent.

3 Are you familiar with that article?

4 A. I am.

5 Q. Was there any -- are you aware of any takeover
6 interest from [REDACTED]?

7 A. No.

8 Q. Are you aware of any -- any action by [REDACTED] in
9 connection with MoneyGram?

10 A. Other than discussions on, occasionally, a
11 product, no.

12 Q. Do you have any plans to enter into any
13 transactions with [REDACTED]?

14 A. No.

15 Q. Do you know how -- do you know what Lumens is?

16 A. Yes.

17 Q. What is Lumens?

18 A. That's their cryptocurrency.

19 Q. Do you have any sense as to how Lumens might
20 differ from XRP?

21 A. No.

22 Q. Do you know if [REDACTED] has any solutions similar
23 to the ODL product?

24 A. I -- I think they have something dissimilar from
25 the ODL product.

1 LAWRENCE ANGELILLI

2 Q. And does MoneyGram have any plans to use that
3 product?

4 A. Not at this time.

5 MR. CERESNEY: Why don't we take a
6 five-minute break, just to make sure I don't have anything
7 further.

8 THE WITNESS: Sure.

9 MR. LEWIS: Sure.

10 THE VIDEOGRAPHER: Off the record at 2:43.
11 (Recess in the proceedings from 2:43 to
12 2:48 p.m.)

13 THE VIDEOGRAPHER: We're back on the record
14 at 2:48.

15 MR. CERESNEY: Okay. So, Mr. Angelilli, I
16 don't have any questions for you -- any more questions
17 now. I'll wait until the SEC asks questions. I may have
18 some after they are finished.

19 Does counsel for Mr. Garlinghouse have any
20 questions?

21 MR. LEVANDER: Hi. This is Samuel Levander
22 from Cleary Gottlieb on behalf of Brad Garlinghouse.

23 No questions from us.

24 MR. CERESNEY: And then does counsel for
25 Mr. Larsen have any questions?

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2 MS. BUNTING: This is Kristina Bunting from
3 Paul Weiss on behalf of Mr. Larsen.

4 No questions from us.

5 MR. CERESNEY: Okay.

6 (Examination was concluded and
7 Cross-Examination began at 2:48 p.m.)

8 CROSS-EXAMINATION

9 BY MR. MOYE:

10 Q. Mr. Angelilli, you've covered a lot of things in
11 a lot a detail, so I'm going to be hopscotching from topic
12 to topic. Hopefully that's the most efficient and the
13 quickest way, rather than forging ahead.

14 I just want to let you know, I want to ask
15 questions about some specific topics and documents you've
16 already addressed. And I might have some more summary or
17 general questions to address as well.

18 So let's do the -- some of the specific
19 ones first.

20 Mr. Angelilli, do you remember Mr. Ceresney
21 asked you a number of questions about the example part of
22 your declaration, about various costs and calculations.

23 Do you remember those questions?

24 A. Yes.

25 Q. So just taking a step back from that.

1 LAWRENCE ANGELILLI

2 Did -- in your interactions with Ripple,
3 did you or other employees at MoneyGram share with Ripple
4 your concerns or observations about higher costs incurred
5 doing foreign currency exchanges using the ODL product?

6 A. On numerous occasions, yes.

7 Q. So "numerous" is pretty broad. Could we try to
8 quantify that a little bit.

9 Is it more than three or four times?

10 A. I wasn't party to all the meetings that were
11 taking place, but there was a weekly meeting between our
12 treasury function and -- and the Ripple staff. And
13 progress on the efficiency of those markets was a regular
14 agenda item that was discussed, probably ad hoc, but
15 frequently.

16 Q. As far as you know, did -- did MoneyGram share
17 with Ripple its findings about the data it was testing,
18 either the initial tests, or the other times it was the
19 market using the ODL product in order to make foreign
20 currency exchanges?

21 A. Are you referring to our beta tests in the
22 beginning?

23 Q. The beta tests and the real life experiences
24 MoneyGram was having with ODL and the transactions and
25 other costs it was incurring?

1 LAWRENCE ANGELILLI

2 A. We didn't need to because of the make-whole
3 agreement, where they were paying us. And they were
4 paying us in currency rather than XRP. So that was a
5 real-life daily expense for them. They were keenly aware
6 of the number and amounts of make-whole payments they had
7 to make, whether we brought it to their attention or not.

8 Q. Was it your understanding that the make-whole
9 payments were agreed to by Ripple because Ripple
10 recognized that there were cost insufficiencies and costs
11 to MoneyGram of using their product?

12 A. It was more than that. It was a deal point on
13 the agreement. We would have never executed the agreement
14 without it.

15 Q. Did Ripple ever deny MoneyGram's explanation of
16 the increased costs or challenge them or insist that
17 MoneyGram was wrong in the way it was calculating the
18 additional costs involved in using ODL?

19 A. No.

20 Q. You referenced the make-whole provision.

21 As you understand the agreement and the
22 positions of the two parties in negotiations, can you
23 think of a single reason why Ripple would have agreed to
24 those make-whole payments if Ripple didn't also believe
25 that there were certain cost inefficiencies and costs that

1 LAWRENCE ANGELILLI

2 MoneyGram would bear in using the ODL product?

3 A. They were fully aware of those costs and agreed
4 to reimburse us for it.

5 Q. Thank you.

6 I guess my question is: Do you understand
7 that to be why they agreed to --

8 MR. CERESNEY: Objection.

9 Q. (BY MR. MOYE) -- the make-whole provisions?

10 MR. CERESNEY: Objection, lack of
11 foundation and speculation.

12 Just one thing, we never put on the record
13 the stipulation that an objection for one party is an
14 objection for all.

15 MR. MOYE: That works for me.

16 A. Can you repeat that question?

17 Q. (BY MR. MOYE) Sure.

18 As you understand the negotiations between
19 the parties that led to the commercial agreement, do you
20 believe that the reason Ripple agreed to the make-whole
21 provisions of the agreement was because Ripple recognized
22 that there were -- that MoneyGram would incur additional
23 costs in using ODL?

24 MR. CERESNEY: Objection, form.

25 A. Yes.

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2 Q. (BY MR. MOYE) You can answer.

3 A. The answer is yes.

4 Q. Were there certain -- were there times when the
5 commercial agreement was renegotiated, in other words,
6 were there subsequent agreements or modifications to the
7 initial commercial agreement?

8 A. Yes.

9 Q. Can you tell us generally why those were made
10 and what the general effects of those modifications were?

11 A. The first agreement modification was inspired by
12 the fact that we were ramping slower than what was in the
13 preliminary models, and that we had budgeted a certain
14 amount of income associated with the ramps that we had
15 agreed to in advance.

16 And what was happening was that the -- the
17 number of currencies wasn't increasing, so it was putting
18 an increased reliance on Mexican peso or Filipino peso.
19 So we went to them and said we need to amend the agreement
20 so that we can essentially accelerate some of the payments
21 which were not falling short due to any action by
22 MoneyGram, but that was just, you know, sort of a -- a
23 problem with ramping up.

24 And they agreed to that in the first
25 amendment.

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2 Q. What about the second amendment?

3 A. The second amendment was -- and by the second
4 amendment I'm referring to the amendment that was signed,
5 I guess, approximately a year ago, or in the summer, where
6 they had come to us and said that they wanted us to ramp
7 down substantially to stop trading Aussie dollars. They
8 had also opened up a corridor, which we thought was
9 extremely important, that was -- that was Australia to the
10 Philippines, rather than the U.S. to the Philippines.

11 That was a huge priority for MoneyGram.
12 That was not going well for them. It was costing them a
13 disproportional amount of money. They asked us to
14 discontinue trading on that corridor or that currency
15 pair.

16 And our reaction was we were more than
17 willing to do that if we were just, essentially, made
18 whole on what we would have earned had we not done that,
19 and they agreed to that. So they basically quadrupled the
20 amount of basis points that we would earn, in exchange for
21 us to reduce the volume proportionally, so that we earned
22 the same amount of income.

23 Q. So some of Mr. Ceresney's questions about the
24 calculation paragraph of your declaration, I believe --
25 I'm not certain of this, but I believe that he asked you

1 LAWRENCE ANGELILLI

2 is it possible that the costs of transactions were
3 actually lower, and you had testified in your deposition
4 kind of a related question.

5 If -- if, hypothetically, the costs of the
6 foreign currency exchanges were lower than MoneyGram had
7 anticipated, wouldn't that be a reason to use Ripple and
8 not need to be made whole -- sorry -- wouldn't that be a
9 reason to use ODL rather than need to be made whole for
10 using ODL?

11 MR. CERESNEY: Objection, speculation, no
12 foundation, et cetera.

13 A. I mean, you know, if you think about it, I mean,
14 if that were correct, and we had not realized it, they
15 certainly would have pointed it out in order to prevent us
16 from receiving a refund against expenses.

17 And to be honest, if we thought we could
18 have achieved savings by transacting at \$1,000 apiece, we
19 would have done it.

20 The other complicating factor here is that
21 there's only so many hours in a day and there's only so
22 many minutes in an hour, and to achieve any kind of scale
23 at \$1,000 at a time is impossible when you think about the
24 amount of trade tickets that we would have to generate and
25 the amount of labor associated with it.

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2 So it would appear that if -- if that were
3 true, somebody would have pointed it out. But even if
4 they had pointed it out, I don't think trading in \$1,000
5 increments is at all practical.

6 Q. (BY MR. MOYE) Would you agree with me that if
7 the costs of using the ODL were actually lower, that that
8 would have benefitted MoneyGram and MoneyGram would have
9 been interested in continuing to use ODL?

10 MR. CERESNEY: Objection, form.

11 Q. (BY MR. MOYE) You can answer.

12 A. The way we trade on a daily basis is that ODL is
13 not the only source of trading activity that we have. We
14 generally have three, two, or four counterparties in every
15 currency.

16 The way the traders purchase their currency
17 is they buy the best price first. So there isn't a
18 selection process that goes on by name. Their instinct --
19 and in fact, we use a system called FX All, which on the
20 Mexican peso will shine a light on the best price. We
21 execute off of that platform.

22 The XRP execution was done on an automated
23 basis. So we had a bot going through. We had to
24 predetermine how much of that we would buy.

25 If we noticed on a consistent basis that

1 LAWRENCE ANGELILLI

2 that was the best trade of the day, we would have filled
3 up that bucket first. And we ended up not doing that.

4 Q. Okay. I remember Mr. Ceresney asking you some
5 questions about -- I thought he asked you questions about
6 whether Ripple had taken -- any actions by Ripple that
7 impacted MoneyGram -- the price of MoneyGram's shares.

8 I may have been wrong about that, but
9 that's what I thought. That's what I have in my notes.

10 So I want to ask you specifically.

11 Was there any action that Ripple took with
12 respect to MoneyGram that ended up affecting the price of
13 MoneyGram's shares?

14 MR. CERESNEY: Objection, mischaracterizes
15 what my questions were.

16 MR. MOYE: Fair enough.

17 Q. (BY MR. MOYE) You can answer the question.

18 A. When they went through their liquidation
19 process, when they sold their shares and then when they
20 converted their shares -- I mean their warrants to shares
21 and sold those shares, they did it in a manner that hurt
22 the value of their own shares and, in turn, hurt the value
23 of MoneyGram stock.

24 Q. Did MoneyGram raise that issue with Ripple after
25 it occurred the first time?

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2 A. It wasn't our role to raise that issue. I did
3 not raise the issue. My understanding is after they
4 completed their first tranche of sales, they acknowledged
5 they did it improperly and told us that they would do
6 better the next time.

7 Q. So what happened the next time?

8 A. We didn't see evidence that they did it better
9 the next time.

10 Q. The second sell-off of the warrants and shares
11 of Ripple also hurt MoneyGram's price?

12 A. That's correct.

13 Q. During the relationship between MoneyGram and
14 Ripple, did you have occasion to form any opinions about
15 the truthfulness of statements that Ripple was making
16 publicly about its relationship with MoneyGram?

17 MR. CERESNEY: Objection.

18 A. They have an active Tweeting program. They have
19 issued white papers on occasions, and made random public
20 statements that we believe reflected inaccuracies on the
21 MoneyGram relationship. Although they may not have
22 mentioned MoneyGram by name, they mischaracterized the
23 pricing effectiveness or the utility of ODL.

24 Q. (BY MR. MOYE) Mr. Ceresney was asking you
25 questions about Exhibit 11. This was the statement by

1 LAWRENCE ANGELILLI

2 MoneyGram to the SEC, a long letter and attachment.

3 Now, he asked you questions about a
4 particular paragraph describing XRP and how it works, and
5 asked you where you got that information there.

6 And you had a discussion with him
7 about -- I believe it was at this time -- about Ripple
8 working to increase the price of XRP.

9 Do you remember that testimony?

10 A. Yes.

11 Q. Can you tell us who you heard say that or who
12 you believe said that in connection with those discussions
13 from Ripple?

14 A. [REDACTED] was a board observer for
15 MoneyGram. At one point during the relationship, the
16 price of XRP had fallen dramatically and was trading below
17 20 cents, which was having a direct impact on MoneyGram's
18 ability to earn its incentives. One of the board members
19 asked [REDACTED] in a board meeting was there anything, you
20 know, that they could do about it, and she expressed
21 frustration and said that one of the -- that they were
22 essentially very concerned about it and that they were
23 frustrated by the fact that it correlated with other
24 currencies and that they were actively attempting as part
25 of their overall strategy to increase the price of XRP.

1 LAWRENCE ANGELILLI

2 Q. Thank you.

3 Did you hear anyone else from Ripple in the
4 context of other discussions talk about obtaining or
5 increasing or supporting the price of Ripple -- sorry, the
6 price of XRP?

7 A. When -- when we were negotiating the agreement
8 and trying to figure out where to put the peg of setting
9 our incentive, which resulted in a 30-cent price. On
10 several occasions, Mr. Garlinghouse had said they were
11 actively promoting the value and that we should feel
12 comfortable that -- you know, that they were promoting the
13 value of the currency and that they were -- they were
14 trying to make sure that the price of XRP increased.

15 Q. In connection with the discussions you had with
16 XRP and the SEC about the accounting treatment,
17 Mr. Ceresney asked you a number of questions about did the
18 SEC ever tell you that XRP was a security.

19 I want to ask you a related question.

20 Did anyone from the SR -- from the SEC
21 during MoneyGram's discussions about accounting treatment
22 ever tell you or anyone else from MoneyGram, that you're
23 aware of, that XRP was not a security and there were no
24 concerns about whether or not Ripple was violating the
25 securities laws?

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2 MR. CERESNEY: Objection, form.

3 A. Nothing like that ever entered the conversation.

4 Q. (BY MR. MOYE) It never came up?

5 A. It never came up.

6 Q. Okay. But you feel certain that no one from the
7 SEC ever gave MoneyGram the green light to say, do
8 whatever you want with XRP because it's not a security?

9 MR. CERESNEY: Objection, form.

10 A. All the conversations were about accounting
11 treatment, and there were no conversations about whether
12 MoneyGram was -- should stop or continue on the service.
13 It was really a very arcane discussion about accounting
14 principles.

15 Q. (BY MR. MOYE) To the best of your
16 understanding, did MoneyGram have any motive in contacting
17 the office of chief accountant at the SEC about
18 this -- about the accounting treatment of the revenues or
19 incentive payments other than getting clarity on an
20 important accounting topic?

21 A. No.

22 Q. Just to clarify, did it have anything to do with
23 any with other aspect of your relationship -- with
24 MoneyGram's relationship with Ripple?

25 A. No, it did not.

1 LAWRENCE ANGELILLI

2 Q. Do you remember being asked a number of
3 questions about statements by you to the public or
4 statements by MoneyGram's CEO to the public --

5 A. Yes.

6 Q. -- about the Ripple relationship?

7 To the best of your understanding, did
8 Ripple have any desire to have the details of the
9 incentive payment and cost reimbursement program that it
10 had with MoneyGram publicly disclosed as part of these
11 discussions about the company's relationship?

12 MR. CERESNEY: Objection, form,
13 speculation.

14 Q. (BY MR. MOYE) You can answer.

15 A. We as a public company had told them on numerous
16 occasions that all of this would see daylight because of
17 the way we had to disclose it. And when we received the
18 instructions to record the incentives as a contra expense,
19 it actually forced us to actually increase our
20 disclosures, to separate out what was the make-whole and
21 what was the incentive so that people could reconcile to
22 our income statement and their EBITDA, because of that
23 subtlety that the make-whole was an offset.

24 So it did -- it did improve the disclosure
25 for us, and it actually showed more about how much they

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2 were paying us for the -- under the make-whole.

3 Q. To the best of your knowledge, was Ripple making
4 any sort of corresponding disclosures in any -- when it
5 went to the public to discuss this relationship? In other
6 words, were -- was Ripple making disclosures about the
7 cost of doing business with MoneyGram under the agreement?

8 MR. CERESNEY: Objection, form.

9 A. Not specifically MoneyGram. We were seeing
10 Tweets or other public statements touting the
11 cost-effectiveness of ODL at a time when we were making
12 disclosures on -- that the size of the make-whole payments
13 were increasing.

14 Q. (BY MR. MOYE) As far as you know, in these
15 public statements made by Ripple about the
16 cost-effectiveness of ODL for foreign currency exchanges,
17 are you aware of Ripple ever disclosing that they were
18 making substantial incentive and make-whole payments to
19 MoneyGram?

20 MR. CERESNEY: Objection, form.

21 A. Not to my knowledge.

22 Q. (BY MR. MOYE) Just to clarify what you said
23 earlier, is it your understanding that MoneyGram was
24 making those detailed disclosures about the money it was
25 receiving from Ripple because it was a public company and

1 LAWRENCE ANGELILLI

2 there are specific regulations for how a public company
3 discloses financial information?

4 A. Yes.

5 Q. Do you have any understanding about whether as a
6 private company Ripple was required by law to make similar
7 disclosures to what MoneyGram was making, or does it get a
8 pass?

9 MR. CERESNEY: Objection, form, ability to
10 render a legal opinion.

11 Q. (BY MR. MOYE) If you can, you can answer.

12 A. My understanding was they didn't have disclosure
13 requirements.

14 Q. Because they were a private company?

15 A. Because they were a private company.

16 Q. Thank you.

17 And I'm not an accountant, so it's
18 dangerous when I talk too much about accounting, so...

19 Is it -- is it your understanding that the
20 financial information MoneyGram was disclosing about
21 incentive and make-whole payments from Ripple is because
22 in MoneyGram's view, those payments were material and
23 something that was of interest to investors?

24 MR. CERESNEY: Objection.

25 A. It represented a material part of our key

1 LAWRENCE ANGELILLI

2 metric, which was our adjusted EBITDA. And so it was
3 extensively disclosed, and it was viewed as a key
4 disclosure item with regard to our adjusted EBITDA
5 calculation.

6 Q. (BY MR. MOYE) And in your job as chief
7 financial officer, do you ever use the word "material" to
8 describe things that are key or important in financial
9 statements?

10 A. All of the time.

11 Q. Do you view those as equivalent or nearly
12 equivalent terms?

13 A. Material and?

14 Q. Key or essential?

15 A. Yes. They're the same.

16 Q. Could you look at Exhibit Number 3?

17 This is the MoneyGram press release and
18 attached FAQs.

19 And I'm going to ask you a question about
20 FAQ Number 9, the one about Western Union.

21 A. Yes.

22 Q. Feel free to refer to this if you'd like. I'm
23 really asking about your understanding of Ripple's
24 experience with Western Union.

25 And I understand from your prior testimony

1 LAWRENCE ANGELILLI

2 that it was based on public comments from Ripple --

3 Western Union executives about their experience with ODL;

4 is that right?

5 A. That's correct.

6 Q. To your -- is it your understanding that

7 MoneyGram's relationship with Ripple was different than

8 Western Union's because, among other things, you had a

9 commercial agreement and were receiving incentive and

10 make-whole payments from Ripple?

11 MR. CERESNEY: Objection, form.

12 A. I'm not quite sure I understand that question.

13 Q. (BY MR. MOYE) I will ask a different one then.

14 In the FAQ under Number 9, it mentions

15 Western Union had negative feedback about its trial with

16 Ripple.

17 Do you see that?

18 A. Yes.

19 Q. Okay. And I believe in your prior testimony you

20 described what you heard in the way of negative feedback;

21 is that correct?

22 A. Correct.

23 Q. Did you understand Western Union's experience

24 with the ODL product and the cost of using it to be

25 similar to what MoneyGram had experienced?

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2 A. Until this statement, we had no knowledge of
3 their activity with Ripple. And so it was merely my
4 presumption that their tests would have been the same as
5 ours, but we don't know that.

6 Q. (BY MR. MOYE) Okay. But is it fair to say
7 that MoneyGram's main interest in entering the commercial
8 agreement with Ripple and using ODL was because MoneyGram
9 wouldn't lose money even if the costs were higher and
10 would gain money if the volumes of ODL that it used were
11 high enough?

12 MR. CERESNEY: Objection, form.

13 A. The incentives were only part of the desire of
14 the company to engage in this. We truly believed that
15 this was technology that we needed to understand. And we
16 felt that it was imperative that MoneyGram be on
17 the -- the front end of any developments in the blockchain
18 cryptocurrency space.

19 So our ability to do that in a risk-free
20 manner was the -- was the primary driver. I'm not sure,
21 you know, Western Union's priorities were in the same
22 place. Perhaps they looked at it as a foreign exchange
23 trade. We looked at it as much more than that.

24 Q. (BY MR. MOYE) Okay. Just stepping back
25 generally, in your view, would the -- would an economic

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2 relationship between MoneyGram and Ripple have been viable
3 and the use of ODL profitable without all of the
4 make-whole payments and incentive payments that MoneyGram
5 received from Ripple?

6 MR. CERESNEY: Objection. That complaints
7 a whole bunch in that question.

8 Q. (BY MR. MOYE) You can answer.

9 A. It would not have been viable without subsidies.

10 Q. In the public statements that you made that
11 Mr. Ceresney took you through where you were asked about
12 the relationship or partnership with Ripple, would it be
13 fair to say that in answering those questions, you were
14 looking at the partnership to include the commercial
15 agreements and the financial components of that in
16 answering those questions?

17 MR. CERESNEY: Objection, form.

18 A. I'm -- could you come at me again with that?

19 Q. (BY MR. MOYE) Sure. How about looking at
20 Exhibit 4, the MoneyGram second quarter results.

21 And let's look at the page that says,
22 Strategic Partnership with Ripple.

23 A. Yes.

24 Q. Okay. And I won't read all the text, but I am
25 going to try to summarize the text. It says, The

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2 partnership is going to enable MoneyGram to closely align
3 funding costs with daily transactions, streamline aspects
4 of the global program and reduce operating costs.

5 Is it fair to say that the partnership
6 included the financial aspects of the commercial
7 agreement?

8 MR. CERESNEY: Objection.

9 Q. (BY MR. MOYE) Or maybe were you just talking
10 about ODL and the wonderful things that ODL might be able
11 to do?

12 A. This relates to ODL, number one. I can answer
13 that specifically.

14 I would say regarding the enhancements or
15 the make-whole or the incentive fees, the Ripple agreement
16 had a termination on it. It was like a two- to three-year
17 agreement. We, at this point, expected our relationship
18 with Ripple to extend beyond that. And what we're
19 describing here is what we thought was the long-term
20 benefits of incorporating this technology into MoneyGram
21 and the incentive payments were a bridge to get us there.

22 Q. Fair enough. Thank you for that clarification.

23 I'm really just trying to determine when
24 you made statements about the relationship with Ripple and
25 what you hoped would come from it in the benefits to

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2 MoneyGram.

3 Is it fair to say, at least in the short
4 term, the financial aspects of the commercial agreement
5 were a part of that?

6 MR. CERESNEY: Objection, asked and
7 answered, form.

8 A. MoneyGram was extremely interested in the
9 earning stream that would come from this in the short
10 term.

11 Q. (BY MR. MOYE) Can you look at Exhibit 2,
12 please.

13 Can you turn to the page that says, Cost
14 Breakdown.

15 Can you just remind me briefly or correct
16 my understanding: Does this test of the ODL product on
17 these dates and in these -- at the cost points shown here,
18 does this show a profitable or an unprofitable test of
19 ODL?

20 A. An unprofitable test.

21 Q. Okay. And this -- who prepared this slide dec,
22 as far as you know?

23 A. I don't recall.

24 Q. Did it come from MoneyGram or come from Ripple?

25 A. I believe this was a Ripple dec.

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2 Q. You can look at the first page if that helps
3 you.

4 A. Yeah. It's a Ripple dec.

5 Q. So is it fair to say that the results of this
6 test were well known to Ripple, and Ripple helped to
7 create this document?

8 A. Yes.

9 Q. If you could turn over three pages into it,
10 there is a page called, xRapid Pricing Structure.

11 So I want to ask you about this if you
12 understand it. I realize you may not have created it, and
13 this may not have been something that you have studied in
14 the past.

15 Do you have any understanding of what
16 the -- what information is being disclosed or discussed
17 here on this page of the slide?

18 A. xRapid, which is the precedent name for ODL,
19 those are one and the same. What it shows is that they're
20 waiving a fee structure that they had put in place and
21 also had proposed at this point a rebate with monthly
22 caps.

23 Q. So this test was done prior to the commercial
24 agreement, correct?

25 A. Correct.

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2 Q. And is this test one of the things that led to
3 the different provisions of the commercial agreement?

4 A. Yes.

5 Q. Well, would it be fair to say even at this time
6 in early 2018, there's some recognition on the part of
7 Ripple the need to provide financial incentives to use
8 ODL?

9 A. It was part of this from the very beginning,
10 yes.

11 MR. MOYE: Thank you. Just give me one
12 minute, please.

13 That's all that I have for you,
14 Mr. Angelilli.

15 THE WITNESS: Okay.

16 MR. MOYE: They have another chance. I
17 just want to thank you for your time.

18 (Cross-Examination was concluded and

19 Further Examination began at 3:21 p.m.)

20 FURTHER EXAMINATION

21 BY MR. CERESNEY:

22 Q. Yeah, I have got a few more questions.

23 A. Okay.

24 Q. Sorry. Can't -- lawyers need the last word.

25 This won't take long, hopefully.

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2 First, Mr. Moye asked you a bunch of
3 questions about transacting at the \$1,000 level in the ODL
4 product.

5 A. Yes.

6 Q. I think you said originally it wasn't practical
7 for MoneyGram to transact at the \$1,000 level; is that
8 fair?

9 A. Yes.

10 Q. And, in fact, you -- I think we talked about
11 earlier, even at the \$50,000 level, there were some
12 benefits to transacting at that level from the dollar-cost
13 averaging over the course of a day, but your typical
14 transactions would be, you know, millions of dollars; is
15 that fair?

16 A. Yes.

17 Q. Fair to say, thought, that there could be other
18 customers who transacting at \$1,000 increments made sense
19 to them?

20 A. I wouldn't know of any.

21 Q. Okay. But there could be other customers,
22 whether it be money remitters or other types of financial
23 institutions, that could make sense for? Would that be
24 fair?

25 MR. MOYE: Objection, asked and answered.

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2 A. Unlikely.

3 Q. (BY MR. CERESNEY) Sitting here today, if there
4 were such folks to which that could be beneficial, can we
5 agree that under the calculations that were contained in
6 your declaration, it would be cheaper to transact at
7 \$1,000 through the ODL product than the traditional
8 payment rails that were --

9 A. I am going to have to say that the calculations
10 in my declaration are likely incorrect at \$1,000.

11 Q. Okay. And, therefore, you can't say one way or
12 another sitting here today whether it's cheaper to do it
13 through the ODL product versus the traditional payment
14 rails?

15 A. That is correct. And that's supported by when
16 we were doing \$100 transactions, those were uneconomical.
17 So it's unlikely. That doing \$1,000 transactions would be
18 uneconomical.

19 Q. But none of those were in 2018, correct?

20 A. No. There was two tranches, the -- the ones we
21 did prior to Ripple's knowledge, and then there's the ones
22 that are on this dec.

23 Q. And that was 2018, correct?

24 A. Okay. I would -- I haven't looked at the ODL
25 spreads since we terminated the contract, so I wouldn't

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2 know.

3 Q. Okay. You talked earlier about -- in response
4 to Mr. Moye's questions, you said that there were
5 statements that you saw, Tweets about price effectiveness
6 and utility of ODL, that you questioned Tweets by Ripple
7 employees that you questioned whether they were fully
8 accurate, correct?

9 A. Yes.

10 Q. Did you do anything to -- did any of those
11 statements relate to MoneyGram --

12 A. No.

13 Q. -- specifically?

14 A. Not specifically.

15 Q. And those statements may have related to other
16 customers; is that fair?

17 A. Presumably.

18 Q. And you don't -- sitting here today, you don't
19 have any basis to know one way or the other whether those
20 statements as to other customers were accurate or
21 inaccurate, do you?

22 A. I don't.

23 Q. Okay. You talked about some statements that you
24 attributed to Mr. Garlinghouse about the value and price.
25 You used the terms "value" and "price" when you were

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2 describing the statements that he made.

3 A. Yes.

4 Q. And I want to just sort of make sure I

5 understand. Do you recall Mr. Garlinghouse specifically

6 using the term "price" or "value," or do you not recall

7 one way or the other what term he used?

8 A. I couldn't determine what term he used.

9 Q. So he might have just used the term "value of

10 XRP"?

11 A. In the context, those two terms are

12 interchangeable.

13 Q. Okay. But do you know whether Mr. Garlinghouse

14 used the term "value" versus "price"?

15 A. No.

16 Q. Mr. Moye asked you some questions about

17 disclosures that MoneyGram made and asked you whether

18 Ripple was aware that those disclosures would be made.

19 Fair to say -- I think you answered that, as a public

20 company, you made clear to Ripple that any incentives that

21 they paid you would have to be disclosed?

22 A. Yes.

23 Q. And Ripple didn't object to that?

24 A. Correct.

25 Q. In fact, they didn't have any problem with you

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2 disclosing the incentives, did they?

3 A. Correct.

4 Q. One final set of questions.

5 Mr. Moye asked you some questions about the
6 genesis of MoneyGram's use of the ODL product. He talked
7 about the financial make-whole arrangement and whether
8 that was a factor in the use of the product.

9 I think you said -- I just want to make
10 sure the record is clear on this -- besides the make-whole
11 payments, there were other reasons why MoneyGram thought
12 the use of the ODL product has promise; is that fair?

13 A. Yes.

14 Q. And just for the purpose of the record here, can
15 you state what those reasons were?

16 A. We were genuinely interested in being on the
17 forefront of blockchain technology. And we wanted
18 to -- if -- use any technology to reduce the size of our
19 balance sheet. And the fact that this checked both of
20 those boxes, it made this more interesting to us.

21 Q. Is it fair to say that even sitting here today,
22 you think blockchain technology has promise for the money
23 remitter industry?

24 A. Yes.

25 Q. And in the future, that technology may actually

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2 be a useful way to move money real time?

3 A. Yes.

4 Q. And in the future, you may explore other
5 alternatives to do that?

6 A. Correct.

7 MR. CERESNEY: If we can just have two
8 minutes so we can consult with the other counsel to make
9 sure they don't have anything. But let's go off the
10 record.

11 THE VIDEOGRAPHER: Off the record at 3:27.
12 (Recess in the proceedings from 3:27 to
13 3:32 p.m.)

14 THE VIDEOGRAPHER: On the record at 3:32.

15 MR. CERESNEY: As I understand it, counsel
16 for Mr. Garlinghouse and Mr. Larsen do not have any
17 additional questions. So I think we're concluded for
18 today, Mr. Angelilli. Thank you very much, I appreciate
19 your time today.

20 THE WITNESS: You're welcome.

21 MR. LEWIS: Andrew, before we go off, I
22 just want to --

23 MR. CERESNEY: Oh, yeah, you had --

24 MR. LEWIS: We're going to -- we're going
25 to -- at this point we're going to designate the

1 LAWRENCE ANGELILLI

2 transcript confidential under the protective order and
3 confidentiality agreement.

4 So, again, we'll work with you on that.

5 But at this time we want to have the whole thing
6 designated as confidential.

7 MR. CERESNEY: Okay. And just to put on
8 the record my request for the drafts of the declaration
9 and the questionnaires that were referenced by the witness
10 in connection with the declaration, you know, I request
11 them from you. If you want to work with the SEC to
12 produce those to us, I'll leave that up to you two to work
13 out.

14 MR. LEWIS: Yeah, I'll work with Rob on
15 that issue.

16 MR. MOYE: Before we go, is there anything
17 you want to clarify about the term "questionnaire,"
18 Andrew?

19 MR. LEWIS: Not on the record. I told him.

20 MR. MOYE: Okay.

21 MR. CERESNEY: Okay. We're off the record.

22 THE VIDEOGRAPHER: Before we go off the
23 record, I want to confirm the video orders. I assume
24 you-all have a standing order, correct?

25 MR. CERESNEY: Yeah, we do.

1 LAWRENCE ANGELILLI

2 THE VIDEOGRAPHER: I assume you have
3 standing orders --

4 MR. LEWIS: I don't need a video at this
5 time.

6 THE VIDEOGRAPHER: We're off the record at
7 3:33.

8 THE REPORTER: Hold on counsel on the
9 telephone.

10 Counsel for the other Defendants, do You
11 need a copy of the transcript?

12 MS. BUNTING: Yes, please.

13 MR. LEVANDER: Samuel Levander with Cleary
14 Gottlieb. Just a copy of the final, please, thank you.

15 (Deposition concluded at 3:33 p.m.)

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1 LAWRENCE ANGELILLI

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4 CHANGES AND SIGNATURE

5 WITNESS NAME: LAWRENCE ANGELILLI

6 DATE OF DEPOSITION: AUGUST 3, 2021

7 PAGE LINE CHANGE REASON

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1 LAWRENCE ANGELILLI

2 _____

3 _____

4 ACKNOWLEDGMENT OF DEPONENT

5 I, _____, do hereby certify that I

6 have read the foregoing pages, and that the same is a

7 correct transcription of the answers given by me to the

8 questions therein propounded, except for the corrections

9 or changes in form and substance, if any, noted on the

10 attached Errata.

11 _____

12

13 WITNESS NAME

DATE

1 LAWRENCE ANGELILLI

2
3
4 IN THE UNITED STATES DISTRICT COURT

5 FOR THE SOUTHERN DISTRICT OF NEW YORK

6 SECURITIES AND EXCHANGE)

7 COMMISSION,)

8 Plaintiff)

9)

10 VS.)CIVIL ACTION

11)NO. 20-CV-10832(AT)(SN)

12 RIPPLE LABS, INC. BRADLEY)

13 GARLINGHOUSE and CHRISTIAN)

14 A. LARSEN,)

15 Defendants)

16 *****

17 REPORTER'S CERTIFICATION

18 ORAL DEPOSITION OF LAWRENCE ANGELILLI

19 AUGUST 3, 2021

20 *****

21 I, Kathryn R. Baker, RPR, a Certified Shorthand

22 Reporter in and for the State of Texas, hereby certify to

23 the following:

24 That the witness, LAWRENCE ANGELILLI, was duly

25 sworn by the officer and that the transcript of the oral

1 LAWRENCE ANGELILLI

2 deposition is a true record of the testimony given by the
3 witness;

4 I further certify that pursuant to FRCP Rule
5 30(f)(1) that the signature of the deponent:

6 X was requested by the deponent or a party
7 before the completion of the deposition and is to be
8 returned within 30 days from the date of receipt of the
9 transcript. If returned, the attached Errata contain any
10 changes and the reasons therefor;

11 was not requested by the deponent or a party
12 before the completion of the deposition.

13 I further certify that I am neither counsel for,
14 related to, nor employed by any of the parties or
15 attorneys in the action in which this proceeding was
16 taken, and further that I am not financially or otherwise
17 interested in the outcome of the action;

18 Subscribed and sworn to on this 4th day of
19 August, 2021.

20
21
22 KATHRYN R. BAKER, RPR, CSR #6955
Expiration Date: 04/30/2023
Firm Registration No. 615
23 TSG Reporting
228 E. 45th Street
24 Suite 810
New York, New York 10017
25